

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

**FINANCIAL STATEMENTS FOR THE  
YEARS ENDED AUGUST 31, 2024 AND 2023  
AND INDEPENDENT AUDITOR'S REPORT**

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

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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, 2024 and 2023, 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, 2024 and 2023 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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 audit was 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 February 21, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**Forvis Mazars, LLP**

**Fort Worth, Texas  
February 21, 2025**

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDED AUGUST 31, 2024 (with 2023 Comparative Totals)

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."

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 primarily 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"). The Authority also owns a portfolio of private student loans that were originated by its primary loan servicer, Higher Education Servicing Corporation ("HESC"), and acquired by the Authority in August 2024.

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 \$36.6 million and \$258.1 million during the years ended August 31, 2024, and 2023, respectively.

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

Financing for the programs is provided through the issuance of tax-exempt and taxable debt and the recycling of funds. In 2024, the Authority issued tax-exempt debt to finance its acquisition of a private student loan portfolio from HESC. In 2023, the Authority incurred a two-year line of credit to finance a portion of its June 2023 California Education Assistance, Inc. (CalEd) acquisition and assumed the \$224.4 million of outstanding debt of CalEd.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2024 (with 2023 Comparative Totals)

### AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

#### CONDENSED NET POSITION

	2024	2023
Cash, cash equivalents and investments	\$ 247,789,138.89	\$ 79,381,078.41
Accrued interest receivable	42,156,635.29	65,276,373.01
Student loans receivable	783,352,783.75	965,907,628.43
LOC receivable and accrued interest from CUREvI	822,148.44	-
Other	34,700.05	28,045.65
<b>TOTAL ASSETS</b>	<b>\$ 1,074,155,406.42</b>	<b>\$ 1,110,593,125.50</b>
Current liabilities	\$ 384,745,746.42	\$ 135,161,461.00
Long-term liabilities	441,400,825.39	734,267,889.94
<b>TOTAL LIABILITIES</b>	<b>\$ 826,146,571.81</b>	<b>\$ 869,429,350.94</b>
DEFERRED INFLOWS OF RESOURCES		
Related to discount on loans purchased	678,131.02	2,739,927.04
Unrestricted	149,975,376.69	109,083,066.67
Restricted	97,355,326.90	129,340,780.85
<b>TOTAL NET POSITION--end of year</b>	<b>\$ 247,330,703.59</b>	<b>\$ 238,423,847.52</b>

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

	2024	2023
Operating Revenues:		
Interest on student loans	\$ 38,740,337.83	\$ 33,308,129.80
Nonoperating Revenues & Expenses:		
Interest on investments	10,357,435.86	3,721,971.09
Unrealized gain (loss) on investments	766,775.79	(795,248.70)
Government interest and special allowance	22,293,446.21	17,889,364.05
Interest expense	(48,803,559.84)	(35,416,845.91)
Letter of credit and bond redemption fees	(2,823,719.14)	(152,500.00)
Income from deferred inflows of resources	2,061,796.02	1,023,737.14
Total nonoperating revenues & expenses:	(16,147,825.10)	(13,729,522.33)
<b>TOTAL REVENUE &amp; NONOPERATING EXPENSES</b>	<b>\$ 22,592,512.73</b>	<b>\$ 19,578,607.47</b>
Operating Expenses:		
Loan servicing fees paid to Higher Education Servicing Corp.	4,423,015.97	3,845,259.57
Payments for administrative and operating costs to Higher Education Servicing Corporation	6,067,432.84	4,916,105.37
Trustee fees	121,616.31	155,017.97
Borrower incentive loan write-offs	323,854.15	396,273.29
Miscellaneous expense	2,749,737.39	864,603.89
Total Operating Expenses:	13,685,656.66	10,177,260.09
Contribution from acquisition of CalEd entities	-	26,650,430.34
<b>CHANGE IN NET POSITION</b>	<b>\$ 8,906,856.07</b>	<b>\$ 36,051,777.72</b>

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2024 (with 2023 Comparative Totals)

### AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

Total assets and liabilities increased (decreased) for the fiscal year 2024 and 2023 as follows:

	<u>2024</u>	<u>Percent Change</u> <u>from 2023</u>	<u>2023</u>	<u>Percent Change</u> <u>from 2022</u>
Change in assets:	(\$ 36.44 mil.)	(3.28%)	\$ 91.95 mil.	9.03%
Change in liabilities:	(\$ 43.28 mil.)	(4.98%)	\$ 56.92 mil.	7.01%
Change in net position:	\$ 8.91 mil.	3.74%	\$ 36.05 mil.	17.81%

The above current year asset decreases are primarily due to decreased student loans balances due to paydowns partially offset by the acquisition of a \$34.5 million private loan portfolio. The above current year liability decreases are due to decreased notes payable and lines of credit balances due to paydowns of existing debt partially offset by issuances of new bonds.

The current year increase in net position is due to the higher operating revenues as well as nonoperating revenues partially offset by higher operating and nonoperating expenses. The previous year increase in net position is primarily due to the CalEd acquisition and lower operating expenses. The Authority realized higher special allowance interest income at the same time as having recognized higher interest income on student loans and investments, however bond and note interest was higher in light of increasing interest rates. In 2024, the Authority paid \$1.7 million more in servicing/administration fees and \$13.4 million more in bond interest. In 2024, the Authority paid \$421.5 million of principal on bonds. 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. Loan servicing and administration fees are paid to HESC.

The majority of net position was historically restricted for debt service or for the purchase of student loans, but as of August 31, 2024, approximately \$150.0 million is available for unrestricted purposes and as of August 31, 2023, approximately \$109.1 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</u> <u>(millions):</u>	<u>2024</u>	<u>Change from</u> <u>2023</u>	<u>2023</u>	<u>Change from</u> <u>2022</u>
Increase (decrease) in cash, cash equiv., current investments	79.3	122.76%	(15.7)	-19.64%
Increase (decrease) in student loans	(182.6)	-18.89%	130.4	15.68%
Increase (decrease) in net short term liabilities	30.1	22.26%	(14.6)	-9.72%
Increase (decrease) in net long term liabilities	(73.4)	-9.99%	71.5	10.78%

The elimination of the FFELP has impacted the Authority's ability to acquire loans (see "**Turbulence in the Financial Markets**" below). However, in 2024, the Authority added \$36.6 million of loans from acquiring the HESC private loan portfolio and also claim repurchases with net student loan reductions (payoffs less capitalized interest) of \$219.3 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 refinanced its 2023 line



# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2024 (with 2023 Comparative Totals)

### AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED

of credit as well as the existing portfolios acquired in the CalEd acquisition into a new indenture and issued new debt in 2024 to acquire a private student loan portfolio from HESC for net increase of \$155.6 million of debt, comprised of \$378.3 million of new debt issued offset by \$222.7 million of debt payoffs. During the course of 2024, the Authority paid down \$198.8 million of debt as part of regular distributions, apart from the refinance payoffs. In 2023, the Authority took out a line of credit in the spring 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. See further discussions of **“Bonds Payable”** in Note 4 to the basic financial statements.

In 2024, the increase in cash and current investments of \$79.3 million and in long-term investments of \$89.1 million was the result of cash released when the CalEd debt was refinanced and excess equity released to the Authority.

### OPERATING ACTIVITIES

#### Revenues:

	<u>2024</u>	Percent Change <u>from 2023</u>	<u>2023</u>	Percent Change <u>from 2022</u>
Increase (decrease) in Operating Revenue:	\$5.4M	16.2%	(\$1.4M)	(4.2%)

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

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

	<u>2024</u>		<u>2023</u>	
Increase (Decrease) in interest earned on student loans	5,289,159.76		(1,611,508.08)	
Net (decrease) in amortization of deferred prem & discount	143,048.27		167,820.39	
Net Increase (decrease) to yield on student loans:	5,432,208.03	16.2%	(1,443,687.69)	-4.2%

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>2024</u>	<u>2023</u>	<u>2022</u>
Variable rates on student loans:	7.10% to 8.50%	7.16% to 8.56%	1.72% to 8.50%

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).

#### Expenses:

	<u>2024</u>	Percent Change <u>from 2023</u>	<u>2023</u>	Percent Change <u>from 2022</u>
Increase (decrease) in Operating Expenses:	\$2.22M	21.9%	(\$0.78M)	-7.1%

The major categories of the Authority's operating expenses are loan servicing fees, program administration fees, and borrower incentive loan write-offs. In 2024, the increase in operating expenses

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2024 (with 2023 Comparative Totals)**

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**AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED  
OPERATING ACTIVITIES – Expenses - CONTINUED**

is due to increases in loan servicing and program administration fees of \$1.7 million (19.7%). 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%).

The Authority has engaged HESC to provide servicing for the student loan portfolios. 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 2024, loan servicing fees increased \$577,756 (15.0%) over prior year due to full-year increased balances on student loans after the CalEd acquisition. In 2023, loan servicing fees decreased \$403,210 (-9.5%) over prior year due to decreased balances on student loans until the CalEd acquisition. As of August 31, 2024, and 2023, 53.7% and 46.6% of the Authority’s loans were being serviced directly 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. See **“Related Entities”** under Note 1 to the basic financial statements for further discussion of HESC’s administrative support functions for the Authority.

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 2024, borrower incentive write-offs decreased \$72,419 over prior year. In 2023, borrower incentive write-offs decreased \$113,466 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>2024</u>	<u>Percent Change from 2023</u>	<u>2023</u>	<u>Percent Change from 2022</u>
Change in net non-operating revenue:	(\$2.4 M)	-17.6%	\$12.8 M	48.3%

The 2024 decrease in net non-operating revenue was primarily due to increases in LOC/redemption fees which increased (\$2.7 million) (1751.6%) and an increase in interest debt of \$14.6 million (41.3%) offset by increases in special allowance income of \$4.2 million (25.1%), and increases in interest on cash and investments and unrealized gain/loss on investment of \$8.20 million (280%). 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%).

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2024 (with 2023 Comparative Totals)

AUTHORITY FINANCIAL HIGHLIGHTS – CONTINUED  
OPERATING ACTIVITIES – Expenses – CONTINUED

Investment yields are outlined as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Average yield on investments for year:	2.66%	2.57%	1.11%

The Authority paid \$421.5 million in 2024 and \$183.4 million in 2023 of bond, note and LOC principal, while also incurring an increase in interest rates. Average rates are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Average tax-exempt bond rate:	5.05%	6.12%	N/A
Average taxable bond and note rate:	5.36%	4.5%	1.3%

Beginning in 2022, special allowance income has been increasing substantially due to rapidly increasing interest rates in the wake of the COVID-19 pandemic and the Fed’s attempts to curb inflation. 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 2024, special allowance income increased \$4.2 million as interest rates continued to rise. In 2023, special allowance income increased \$28.9 million as interest rates continued to rise.

In 2024, interest subsidy increased \$216,357 (18.1%). In 2023, interest subsidy decreased (\$85,806) (-6.7%). The decreases were due to the declining balances of subsidized loans in school, grace, or deferment status. In 2024, the balance of these loans decreased (\$1.0) million from 2023. In 2023, the balance of these loans decreased (\$5.1) million from 2022. 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, 2024 (with 2023 Comparative Totals)**

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### **ECONOMIC FACTORS AND OUTLOOK**

#### **Turbulence in the Financial Market**

In 2024, T-Bill rates increased 2.28% and one-month SOFR rates increased 7.34% from rates in 2023. 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 Rates</u>	<u>One-Month LIBOR/SOFR</u>
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%
Qtr. Ending 09/30/23:	5.45%	5.41%
Qtr. Ending 12/31/23:	5.45%	5.54%
Qtr. Ending 03/31/24:	5.39%	5.56%
Qtr. Ending 06/30/24:	5.39%	5.56%

The above rates directly affect the amount of Special Allowance income earned on the Authority’s student loans.

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 SOFR rates (shown above) raises the special allowance rates, which in turn decreases excess interest. In 2024, the Authority received \$20.9 million of excess interest from the Education Department as a part of Special Allowance Income on the Authority’s books. In 2023, the Authority received \$16.7 million of excess interest from 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 financial statements).

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED AUGUST 31, 2024 (with 2023 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.

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.

The Authority entered 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. On November 8, 2023, the existing CalEd/ALL indentures and the two-year line of credit issued in 2023 were refinanced into a new debt issuance and the ALL corporate entities were dissolved with the respective Secretaries of State.

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 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. The Authority has been substantially paying down debt since 2009 and anticipates continuing this trend in 2024.

In August 2024, the Authority issued a tax-exempt bond issuance that was used to finance the purchase of the HESC private student loan portfolio. 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, 2024 and 2023

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents—restricted (Note 2)	\$ 12,316.78	\$ 0.00
Investments — non restricted (Note 2)	43,580,161.70	8,262,474.26
Investments—restricted (Note 2)	100,305,129.90	56,331,997.44
Accrued interest and other accounts receivable – non restricted	412,240.19	5,607,465.91
Accrued interest for LOC Note Receivable from CURvI	2,359.44	0.00
Accrued interest and other accounts receivable—restricted	41,619,560.25	59,538,586.72
Prepaid expenses & ROU asset—restricted	34,700.05	28,045.66
Student loan notes receivable (Note 3)	363,721.68	41,330,647.18
Student loan notes receivable—restricted (Note 3)	263,247,062.45	228,699,298.64
Total current assets	449,577,252.44	399,798,515.81
<b>LONG-TERM ASSETS:</b>		
Investments—(Note 2)	103,891,530.51	14,786,606.71
Accrued Interest and other accounts receivable	0.00	124,141.39
Accrued Interest and other accounts receivable—restricted	124,834.85	6,178.99
Principal for LOC Note Receivable from CURvI	819,789.00	0.00
Student loan notes receivable (Note 3)	625,510.84	39,862,492.61
Student loan notes receivable—restricted (Note 3)	519,116,488.78	656,015,189.99
Total long-term assets	624,578,153.98	710,794,609.69
<b>TOTAL ASSETS</b>	<b>\$1,074,155,406.42</b>	<b>\$1,110,593,125.50</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>2024</b>	<b>2023</b>
<b>CURRENT LIABILITIES — Payable from non-restricted assets:</b>		
Accounts payable	\$ 33,488.90	\$ 101,819.13
Total current liabilities payable from non-restricted assets	33,488.90	101,819.13
<b>CURRENT LIABILITIES—Payable from restricted assets:</b>		
Accounts payable	994,845.81	873,779.25
Accrued interest payable	1,755,559.78	1,961,259.27
Accrued other liabilities	4,851.93	7,506.14
Bonds (Note 4)	87,460,000.00	130,258,097.21
Notes payable & Lines of credit (Note 4)	294,497,000.00	1,959,000.00
Total current liabilities payable from restricted assets	384,712,257.52	135,059,641.87
Total current liabilities	384,745,746.42	135,161,461.00

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, 2024 and 2023

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

	2024	2023
Bonds & notes payable, less unamortized original issue discounts of \$4,651,175 and \$4,705,673, respectively (Note 4)	441,400,825.39	721,330,889.94
Lines of credit (Note 4)	0.00	12,937,000.00
Total long-term liabilities payable from restricted assets	441,400,825.39	734,267,889.94
Total liabilities	826,146,571.81	869,429,350.94
DEFERRED INFLOWS OF RESOURCES		
Related to discount on loans purchased	678,131.02	2,739,927.04
NET POSITION:		
Restricted	97,355,326.90	129,340,780.85
Unrestricted	149,975,376.69	109,083,066.67
Total net position	247,330,703.59	238,423,847.52
Total liabilities, deferred inflows of resources and net position	\$1,074,155,406.42	\$1,110,593,125.50

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED AUGUST 31, 2024 and 2023

	2024	2023
OPERATING REVENUES:		
Interest on student loans	\$ 38,740,337.83	\$ 33,308,129.80
Total operating revenues	38,740,337.83	33,308,129.80
OPERATING EXPENSES:		
Loan servicing fees paid to Higher Education Servicing Corporation (Note 1)	4,423,015.97	3,845,259.57
Payments for administrative and operating costs to Higher Education Servicing Corporation (Note 1)	6,067,432.84	4,916,105.37
Trustee fees	121,616.31	155,017.97
Borrower incentive loan write-offs (Note 5)	323,854.15	396,273.29
Miscellaneous expense	2,749,737.39	864,603.89
Total operating expenses	13,685,656.66	10,177,260.09
OPERATING INCOME	25,054,681.17	23,130,869.71
NONOPERATING REVENUES AND EXPENSES:		
Interest on cash equivalents and investments	10,357,435.86	3,721,971.07
Income from Deferred Inflows of Resources	2,061,796.02	1,023,737.14
Unrealized gain (loss) on investments (Note 2)	766,775.79	(795,248.70)
Interest expense	(48,803,559.84)	(35,416,845.91)
Letter of credit/debt issuance and redemption fees	(2,823,719.14)	(152,500.00)
Government subsidy on student loans	1,412,866.39	1,196,508.82
Special allowance income	20,880,579.82	16,692,855.23
	(16,147,825.10)	(13,729,522.35)
SPECIAL ITEM - Net Assets acquired in excess of amounts paid (Note 7)	0.00	26,650,430.34
CHANGE IN NET POSITION	8,906,856.07	36,051,777.70
NET POSITION—Beginning of year	238,423,847.52	202,372,069.82
NET POSITION—End of year	\$ 247,330,703.59	\$ 238,423,847.52

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, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student loan and interest purchases	\$ (36,727,122.81)	\$ (25,348,133.92)
Student loan repayments	280,594,186.88	189,809,880.07
Payment to vendors	(13,318,374.79)	(9,858,867.32)
Net cash provided by (used in) operating activities	230,548,689.28	154,602,878.83
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for CalEd entities	0.00	(29,065,797.79)
Line of credit issued to CU Revl	(819,789.00)	0.00
Investment Income	10,062,435.42	4,091,098.85
Proceeds from maturities of investments held by Trustee	467,791,808.12	363,021,599.47
Purchases of Investments	(635,420,776.03)	(302,975,246.40)
Net cash provided by (used in) investing activities	(158,386,321.49)	35,071,654.13
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from issuances of long-term debt	378,247,000.00	15,000,000.00
Repayment of long-term debt	(421,428,660.37)	(183,412,979.00)
Interest paid	(48,885,815.93)	(34,695,894.78)
Proceeds from government subsidy on student loans	1,488,948.39	1,164,295.82
Payment of letter of credit / bond redemption fees	(2,823,719.14)	(152,500.00)
Payments of debt issuance costs	(68,944.78)	0.00
Lease payments	0.00	(5,908.74)
Receipts (payments) of special allowance	21,321,140.82	12,306,158.24
Net cash provided by (used in) noncapital financing activities	(72,150,051.01)	(189,796,828.46)
CHANGE IN CASH AND CASH EQUIVALENTS	12,316.78	(122,295.50)
CASH & CASH EQUIVALENTS---Beginning of year	0.00	122,295.50
CASH & CASH EQUIVALENTS---End of year	\$ 12,316.78	\$ 0.00

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, 2024 and 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income:	\$ 25,054,681.17	\$ 23,130,869.71
Adjustments to reconcile operating income to net cash provided by operating activities:		
Borrower Benefit Loan Write Offs	323,854.15	396,273.29
Capitalization of interest on student loan notes receivable	(29,826,579.48)	(19,209,990.05)
Change in assets and liabilities:		
Decrease (increase) in accrued interest and other accounts receivable	22,895,735.72	7,769,873.25
Decrease (increase) in student loan notes receivable--net	212,057,570.00	142,593,735.47
Decrease (increase) in prepaid expenses	(6,654.40)	22,682.00
Increase (decrease) in accounts payable	52,736.33	(98,028.55)
Increase (decrease) in accrued and other liabilities	(2,653.21)	(2,536.29)
Net cash provided by (used in) operating activities	\$ 230,548,689.28	\$ 154,602,878.83

# 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 financed 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 owned 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. On November 8, 2023, the existing CalEd indentures were refinanced into a new debt issuance and the CalEd corporate entities were dissolved with the respective Secretaries of State.

**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 amounts paid to HESC was \$10,490,449 for the year ended August 31, 2024, and \$8,761,365 for the year ended August 31, 2023.

On August 28, 2024, the Authority completed a new tax-exempt bond financing and acquired a private student loan portfolio from HESC of \$34.6 million plus accrued interest on the student loan notes receivable with the proceeds. The Authority retains the option to purchase an additional \$24 million of private student loans from HESC during fiscal year 2025.

**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

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

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

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 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.
- A local government investment pool which meets the requirements of the Public Funds Investment Act, is rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, is created to function as a money market mutual fund, marks its portfolio to market value daily and to the extent reasonably possible, stabilizes at \$1.00 net asset value, and is authorized by a resolution of the Board.

The Authority records money market investments, government 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 FFELP 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.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

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

**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.

**Trustees—** The Authority contracts with three Banks to serve as Trustees. Manufacturers and Traders Trust Company, UMB Bank, 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

**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 501(c)(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 2024 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")

NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

when the loans earn at rates above the special allowance rates. Decreasing one-month LIBOR and SOFR rates decreases the special allowance rates, which in turn, increases excess interest. Increasing one-month LIBOR or SOFR rates increases the special allowance rates, which in turn, decreases excess interest.

A substantial amount of the student loans paid in 2024 and 2023 (much of which was due to being consolidated by the Education Department) are the loans that were subject to the excess interest payments. In 2024, the Department of Education paid \$21,321,141 of excess interest due to the Authority’s quarterly interest benefits and special allowance billings. 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. This excess interest is included in special allowance income in the Authority’s statements of revenues, expenses, and changes in net position.

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>2024</u>	<u>2023</u>
Interest Subsidy	\$ 1,412,866.39	\$ 1,196,508.82
Special Allowance	<u>\$ 20,880,579.82</u>	<u>\$ 16,692,855.23</u>
	<u>\$ 22,293,446.21</u>	<u>\$ 17,889,364.05</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 program was tested for compliance with applicable grant requirements through August 31, 2024. 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

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

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

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 inflow of resources was \$8.6M. Amortization of deferred inflows was equal to \$2,061,796.02 in 2024 and \$1,023,737.14 in 2023.

**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, 2024, the carrying amount and bank balances of the Authority's cash and deposits was \$43,580,162. At August 31, 2023, the carrying amount and bank balances of the Authority's cash and deposits was \$8,494,857. 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 the average interest rate on the private student loans funded by the line less 2%. As of August 31, 2024, the balance on the line of credit was \$819,789. As of August 31, 2023, CUREvl had paid down to a zero balance the line of credit however the line remained open.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

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

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 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, 2024, and 2023, are classified as follows:

Investment Type	2024 Amount	Weighted Average Maturity
Money market mutual funds	\$ 97,739,776.44	18.7 days
TexPool government pool	90,892,991.28	48 days
ICS deposit account	42,833,619.43	N/A
Certificates of deposit	16,310,434.96	1,022.1 days
Total investments	<u>\$ 247,776,822.11</u>	

  

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>	

**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, 2024 and 2023.



# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

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

Investment Type	Balance	Balance
	August 31, 2024	August 31, 2023
Certificates of Deposit	\$ 16,310,434.96	\$ 15,283,825.89
FDIC Insured Deposits	42,833,619.43	8,744,857.40
TexPool government pool	90,892,991.28	0.00
Money market mutual funds	97,739,776.44	55,352,395.12
	<u>\$ 247,776,822.11</u>	<u>\$ 79,381,078.41</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, 2024 and 2023, 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 of the Authority, and with maturities of five years or less. As of August 31, 2024 and 2023, Authority investments which totaled more than 5% of its total investments are:

	<u>2024</u>	<u>2023</u>
Morgan Stanley Institutional Money Market Fund	\$ 25,021,313.93	\$ 0.00
Goldman Sachs Financial Square MMF	34,487,750.41	10,867,434.57
Invesco Government & Agency Money Market Fund	38,228,242.70	44,390,402.17
Bank ICS deposit account (FDIC insured)	40,672,035.70	7,107,445.99
TexPool Prime	90,892,991.28	0.00

**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

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

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

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, TexPool Prime 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 gains of \$766,776 on investments, representing the increases in fair value of its certificates of deposit for the year ended August 31, 2024. 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. 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, 2024 and 2023, the rates paid on money market funds ranged from 0.22% to 5.44%. 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, 2024 and 2023, the rates on the FDIC insured deposit accounts ranged from 1.60% to 5.25%. The rates on the FDIC insured certificates of deposit are set at the time of the purchase of said certificates. As of August 31, 2024, the rates on the FDIC insured certificates of deposit ranged from 3.07% to 5.22%. As of August 31, 2023, the rates on the FDIC insured certificates of deposit ranged from 2.91% to 4.89%.

**Fair Value Asset Classification** -- The following table presents the classification of the assets by level at August 31, 2024 and 2023:

Investments (2024)	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3	Fair Value
Money Market Funds (a)	\$ -	\$ -	\$ -	\$ 97,739,776.44
TexPool government pool (a)	-	-	-	90,892,991.28
FDIC Insured Deposit Account (a)	-	-	-	42,833,619.43
FDIC Insured Certificates of Deposit	-	16,310,434.96	-	16,310,434.96
Total	\$ -	\$ 16,310,434.96	\$ -	\$247,776,822.11

  

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

(a) Money Market Funds, TexPool Prime 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, 2024 and 2023:

<u>2024</u>	Student Loan		Collections		Deferred Loan Acquisition Premiums Less: Accumulated Amortization	Allowance For Doubtful Accounts	Net Receivable
	Series	Notes Receivable	Not Yet Applied				
	2021-1	\$ 251,927,854.58	-	\$	2,705,933.72	\$ (167,363.00)	\$ 254,466,425.30
	2021-2	228,556,778.01	-		-	(151,938.00)	228,404,840.01
	2023-1	264,228,150.46	-		(105,794.74)	(175,610.00)	263,946,745.72
	2024-1A	34,532,042.75	-		1,036,840.24	(22,946.00)	35,545,936.99
	Surplus Fund Unallocated Collections	989,758.52	-		-	(526.00)	989,232.52
		-	(396.79)		-	-	(396.79)
	Total	\$ 780,234,584.32	\$ (396.79)	\$	3,636,979.22	\$ (518,383.00)	\$ 783,352,783.75

  

<u>2023</u>	Student Loan		Collections		Deferred Loan Acquisition Premiums Less: Accumulated Amortization	Allowance For Doubtful Accounts	Net Receivable
	Series	Notes Receivable	Not Yet Applied				
	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
	Total	\$ 962,970,781.01	\$ 82,139.66	\$	3,502,034.75	\$ (647,327.00)	\$ 965,907,628.42

Historically, the Authority only held students loans made in accordance with Title IV, Part B of the Higher Education Act of 1965, as amended. However in 2024, the Authority purchased its first private student loan portfolio from HESC. 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.

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. Private student loans have repayment terms of 5, 10, or 15 years depending on the term selected when the application was made for the loan and the terms agreed to upon acceptance of the loan.

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 3. STUDENT LOAN NOTES RECEIVABLES – CONTINUED

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.

FFELP 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. 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, 2024 and 2023, the allowance for doubtful accounts is \$518,383 and \$647,327, respectively.

A summary of the Authority's student loan activity for the year ended August 31, 2024 and 2023 is as follows:

	2024	2023
Loans purchased (including HESC & CalEd entities)	\$ 36,627,856.83	\$ 258,144,963.94
Amounts collected	(247,501,888.35)	(145,318,702.63)
Adjustments (capitalized interest/write-off)	28,226,450.64	18,754,783.74
Total change in Student Loan Notes Receivable – net	\$ (182,647,580.88)	\$ 131,581,045.05

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 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, 2024 and 2023:

Bond/Notes Series	2024	2023	Interest Mode	Average Interest Rate (2024)	Date of maturity or defeasement
2021-1 A-1A	\$ 34,745,000.00	\$ 45,210,000.00	Fixed	1.50%	September 25, 2061
2021-1 A-1B	\$ 215,420,000.00	\$ 280,303,000.00	Variable	5.90%	September 25, 2061
2021-1 B	\$ 10,000,000.00	\$ 10,000,000.00	Variable	6.53%	September 25, 2061
2021-2 A-1A	\$ 28,889,000.00	\$ 38,309,000.00	Fixed	1.82%	October 25, 2061
2021-2 A-1B	\$ 194,708,000.00	\$ 258,204,000.00	Variable	5.90%	October 25, 2061
2021-2 B	\$ 8,000,000.00	\$ 8,000,000.00	Variable	6.43%	October 25, 2061
2023-1 VRDN	\$ 294,497,000.00	\$ 0.00	Variable	5.38%	December 1, 2053
2024-1A (mat 2027)	\$ 1,700,000.00	\$ 0.00	Fixed	5.00%	June 1, 2027
2024-1A (mat 2028)	\$ 2,450,000.00	\$ 0.00	Fixed	5.00%	June 1, 2028
2024-1A (mat 2029)	\$ 3,400,000.00	\$ 0.00	Fixed	5.00%	June 1, 2029
2024-1A (mat 2030)	\$ 4,100,000.00	\$ 0.00	Fixed	5.00%	June 1, 2030
2024-1A (mat 2031)	\$ 4,200,000.00	\$ 0.00	Fixed	5.00%	June 1, 2031
2024-1A (mat 2045)	\$ 25,900,000.00	\$ 0.00	Fixed	4.13%	June 1, 2045
2023A LOC	\$ 0.00	\$ 14,896,000.00	Variable	6.46%	May 31, 2025
ALL 2010-1 A-3	\$ 0.00	\$ 38,212,679.37	Variable	6.26%	April 25, 2037
ALL 2010-1 B	\$ 0.00	\$ 16,000,000.00	Variable	5.71%	July 25, 2037
ALL 2012-1 A	\$ 0.00	\$ 30,461,098.00	Variable	6.00%	July 25, 2036
ALL 2012-1 B	\$ 0.00	\$ 5,760,000.00	Variable	6.00%	July 25, 2039
ALL 2012-1 C	\$ 0.00	\$ 4,205,190.00	Variable	3.00%	January 27, 2042
ALL 2013-1 A	\$ 0.00	\$ 110,629,693.00	Variable	6.10%	February 25, 2041
ALL 2013-1 B	\$ 0.00	\$ 11,000,000.00	Variable	8.30%	January 26, 2043
Total	\$ 828,009,000.00	\$ 871,190,660.37			
Unamortized original issue discounts	\$ (4,651,174.61)	\$ (4,705,673.22)			
	\$ 823,357,825.39	\$ 866,484,987.15			

**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 prior issuances: 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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, 2024 and 2023 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>
2024	1.50%	A-1B	5.962% to 6.040%	6.016%	B	6.592% to 6.670%	6.644%
2023	1.50%	A-1B	3.014% to 5.999%	4.548%	B	3.644% to 6.629%	5.178%

**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 prior issuances: 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.

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, 2024 and 2023 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>
2024	1.82%	A-1B	5.962% to 6.040%	6.014%	B	6.492% to 6.570%	6.544%
2023	1.82%	A-1B	3.014% to 5.999%	4.548%	B	3.544% to 6.529%	5.078%

**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 7). The 2023A LOC is a two-year variable rate note issued at daily SOFR plus 115 basis points.

Interest from the line of credit is payable on the first business day of each month. Interest rates for the year ended August 31, 2024 and 2023 are:

<u>Year</u>	<u>Range</u>	<u>Average</u>
2024	6.450% to 6.500%	6.461%
2023	6.200% to 6.450%	6.245%

The Line of Credit was paid off on November 8, 2023 with the issuance of the 2023-1 note.

**2023-1 VRDN Debt Issue**— On November 8, 2023, the Authority issued \$336,497,000 of Student Loan Revenue Notes (Series 2023-1), which was used to advance refund the prior issuances: NTHEA 2023A Line of Credit, ALL Series 2010, ALL Series 2012-1, and ALL Series 2013-1. The 2023-1 is a floating rate note, issued at a Weekly Rate as determined by the Remarketing Agent, RBS Capital Markets. Simultaneous with the issuance of the Series 2023-1 Notes, the Authority entered into a Letter of Credit and Reimbursement Agreement with RBC with a maximum aggregate amount available of \$342,105,284 that expires on November 6, 2026. Interest on draws is at a rate of Daily Simple SOFR plus 1%. The note holders may tender any of the notes for repurchase prior to maturity, usually every seven days. Any notes tendered will be purchased either by the proceeds of the remarketing of such notes, or, if not successfully remarketed, from amounts drawn under a letter of credit agreement. Due to the demand nature of these notes, they are included in current liabilities on the statements of net position. Interest on the Series 2023-1 Notes are not tax exempt from gross income of the certificate owners for federal income tax purposes.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Interest from the Bonds is payable on the first of each calendar month. Interest rates for the year ended August 31, 2024 are:

<u>Year</u>	<u>Range</u>	<u>Average</u>
2024	5.380%	5.380%

**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.

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, 2024 and 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Bond</u>	<u>Range</u>
2024	A-3	6.116% to 6.396%	B	5.566% to 5.846%
2023	A-3	6.116%	B	5.566%

The ALL 2010 issuance was paid off on November 8, 2023 with the issuance of the 2023-1 note.

**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.

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, 2024 and 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Bond</u>	<u>Range</u>
2024	A	6.102% to 6.135%	B	6.129% to 6.135%
2023	A	5.838% to 6.102%	B	5.838% to 6.102%

The ALL 2012 issuance was paid off on November 8, 2023 with the issuance of the 2023-1 note.

**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 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.

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, 2024 and 2023 are:

<u>Year</u>	<u>Bond</u>	<u>Range</u>	<u>Bond</u>	<u>Range</u>
2024	A	6.202% to 6.229%	B	8.402% to 8.429%

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

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

2023      A      5.938% to 6.202%                      B      8.138% to 8.402%

The ALL 2013 issuance was paid off on November 8, 2023 with the issuance of the 2023-1 note.

**2024-1A Debt Issue**— On August 28, 2024, the Authority issued \$41,750,000 of Tax-Exempt Education Loan Revenue Bonds (Series 2024-1A), which was the first issuance of bonds on a new portfolio of private student loans acquired by the Authority from HESC. The 2024-1A is comprised of two fixed rate tranches, one at 5.00% and one at 4.125%, with varying maturity dates. Interest on the Series 2021-2 Bonds is tax exempt from gross income of the certificate owners for federal income tax purposes.

Interest from the Bonds is payable on the first of June and December each year, starting with December 2024 and at stated maturity dates.

**Debt Service Requirements** -- The following is a summary of all bond debt service requirements at August 31, 2024:

Fiscal Year	Principal	Interest	Total
2025	\$ 87,460,000.00	\$ 29,581,151.40	\$ 117,041,151.40
2026	\$ 75,516,000.00	\$ 27,125,428.72	\$ 102,641,428.72
2027	\$ 69,273,000.00	\$ 23,312,060.81	\$ 92,585,060.81
2028	\$ 62,922,000.00	\$ 18,822,467.60	\$ 81,744,467.60
2029	\$ 66,964,000.00	\$ 14,317,770.30	\$ 81,281,770.30
2030 thru 2034	\$ 145,477,000.00	\$ 13,775,849.37	\$ 159,252,849.37
2035 thru 2039	\$ 25,900,000.00	\$ 5,060,877.74	\$ 30,960,877.74
	<b>\$ 533,512,000.00</b>	<b>\$ 131,995,605.94</b>	<b>\$ 665,507,605.94</b>

The following is a summary of all note debt service requirements at August 31, 2024 if no demand is made on the 2023-1 VRDN Notes:

Fiscal Year	Principal	Interest	Total
2025	\$ 75,000,000.00	\$ 14,689,310.67	\$ 89,689,310.67
2026	\$ 67,914,000.00	\$ 11,736,605.22	\$ 79,650,605.22
2027	\$ 65,225,000.00	\$ 8,856,496.95	\$ 74,081,496.95
2028	\$ 62,641,000.00	\$ 5,859,386.97	\$ 68,500,386.97
2029	\$ 23,717,000.00	\$ 1,151,013.51	\$ 24,868,013.51
	<b>\$ 294,497,000.00</b>	<b>\$ 42,292,813.32</b>	<b>\$ 336,789,813.32</b>

As of July 1, 2024, 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, 2024 and 2023:

	Balance at beginning of year	Purchased or Refinanced	Repaid or Defeased	Balance at end of year
2024	\$ 856,294,660.54	\$ 41,750,000.00	\$ (364,532,660.54)	\$ 533,512,000.00
2023	\$ 815,133,000.00	\$ 224,470,639.54	\$ (183,308,979.00)	\$ 856,294,660.54



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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. BONDS & NOTES PAYABLE – CONTINUED**

The following is a summary of changes in lines of credit and notes payable by the Authority for the years ended August 31, 2024 and 2023:

	Balance at beginning of year	Issued	Repaid or Defeased	Balance at end of year
2024	\$ 14,896,000.00	\$ 336,497,000.00	\$ (56,896,000.00)	\$ 294,497,000.00
2023	\$ -	\$ 15,000,000.00	\$ (104,000.00)	\$ 14,896,000.00

The bonds and notes may be redeemed prior to their stated maturity only in authorized denominations. Upon proper notice, bonds and notes 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, 2024 or 2023.

The Bonds and Notes 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 2024, borrower incentive write-offs that went to this program were \$323,854. In 2023, borrower incentive write-offs that went to this program were \$396,273.

**6. 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, 2024 and 2023, 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

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **6. EXCESS EARNINGS AND ARBITRAGE LIABILITIES -- continued**

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, 2024 and 2023, the Authority made no provision for arbitrage rebate and no payment was required. For the year ending August 31, 2024, there was \$41,750,000 in tax exempt bonds outstanding due to the newly issued Series 2024-1A. 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.

### **7. 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. All of the assets of the former CalEd entities were rolled into the new Series 2023-1 Authority issuance in November 2023, and the acquired LLC's of CalEd were legally terminated in March 2024.

### **8. 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.

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, 2024 and 2023 is as follows:

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Net Position	Surplus Fund		Bond Funds		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Current assets	\$ 46,170,205.20	\$ 57,156,499.38	\$ 403,407,047.24	\$ 342,642,016.42	\$ 449,577,252.44	\$ 399,798,515.81
Noncurrent assets	104,517,041.35	54,773,240.71	520,061,112.63	656,021,368.98	624,578,153.98	710,794,609.69
Total assets	<u>\$ 150,687,246.55</u>	<u>\$ 111,929,740.09</u>	<u>\$ 923,468,159.87</u>	<u>\$ 998,663,385.41</u>	<u>\$ 1,074,155,406.42</u>	<u>\$ 1,110,593,125.50</u>
Liabilities:						
Current liabilities	\$ 33,738.84	\$ 106,746.38	\$ 384,712,007.58	\$ 135,054,714.62	\$ 384,745,746.42	\$ 135,161,461.00
Noncurrent liabilities	-	-	441,400,825.39	734,267,889.94	441,400,825.39	734,267,889.94
Total liabilities	<u>\$ 33,738.84</u>	<u>\$ 106,746.38</u>	<u>\$ 826,112,832.97</u>	<u>\$ 869,322,604.56</u>	<u>\$ 826,146,571.81</u>	<u>\$ 869,429,350.94</u>
Deferred Inflows of Resources	678,131.02	2,739,927.04	-	-	678,131.02	2,739,927.04
Net position:						
Restricted	-	-	97,355,326.90	129,340,780.85	97,355,326.90	129,340,780.85
Unrestricted	149,975,376.69	109,083,066.67	-	-	149,975,376.69	109,083,066.67
Total net position	<u>\$ 149,975,376.69</u>	<u>\$ 109,083,066.67</u>	<u>\$ 97,355,326.90</u>	<u>\$ 129,340,780.85</u>	<u>\$ 247,330,703.59</u>	<u>\$ 238,423,847.52</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 150,687,246.55</u>	<u>\$ 111,929,740.09</u>	<u>\$ 923,468,159.87</u>	<u>\$ 998,663,385.41</u>	<u>\$ 1,074,155,406.42</u>	<u>\$ 1,110,593,125.50</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position	Surplus Fund		Bond Funds		Total	
	2024	2023	2024	2023	2024	2023
Operating revenues	\$ 803,318.31	\$ 1,777,575.39	\$ 37,937,019.52	\$ 31,530,554.41	\$ 38,740,337.83	\$ 33,308,129.80
Operating expenses	3,454,652.38	2,647,107.40	10,231,004.28	7,530,152.69	13,685,656.66	10,177,260.09
Total operating income (loss)	(2,651,334.07)	(869,532.01)	27,706,015.24	24,000,401.72	25,054,681.17	23,130,869.71
Nonoperating revenue	9,661,475.27	2,584,482.64	(25,809,300.37)	10,336,425.33	(16,147,825.10)	12,920,907.99
Change in net position	7,010,141.20	1,714,950.63	1,896,714.87	34,336,827.05	8,906,856.07	36,051,777.70
Net position—beginning of year	\$ 109,083,066.67	\$ 76,483,877.49	\$ 129,340,780.85	\$ 125,888,192.33	\$ 238,423,847.52	\$ 202,372,069.82
Transfer from Bonds to Surplus	33,882,168.82	30,884,238.55	(33,882,168.82)	(30,884,238.55)	-	-
Net position—end of year	<u>\$ 149,975,376.69</u>	<u>\$ 109,083,066.67</u>	<u>\$ 97,355,326.90</u>	<u>\$ 129,340,780.83</u>	<u>\$ 247,330,703.59</u>	<u>\$ 238,423,847.50</u>

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## NOTES TO BASIC FINANCIAL STATEMENTS

Condensed Statements of Cash Flows	Surplus Fund		Bond Funds		Total	
	2024	2023	2024	2023	2024	2023
Net cash provided (used) by:						
Operating activities	\$ 80,547,329.07	\$ (22,761,105.02)	\$ 150,001,360.21	\$ 177,363,983.85	\$ 230,548,689.28	\$ 154,602,878.83
Noncapital financing activities	421,900.64	535,377.32	(72,571,951.65)	(190,332,205.78)	(72,150,051.01)	(189,796,828.46)
Investing activities	(80,969,229.71)	22,225,727.70	(77,417,091.78)	12,845,926.43	(158,386,321.49)	35,071,654.13
Change in cash and cash equivalents	-	-	12,316.78	(122,295.50)	12,316.78	(122,295.50)
Cash and cash equivalents - beginning of year	-	-	0.00	122,295.50	0.00	122,295.50
Cash and cash equivalents - end of year	\$ -	\$ -	\$ 12,316.78	\$ 0.00	\$ 12,316.78	\$ (0.00)

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **9. 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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Assets:										
Current assets	\$ -	\$ 31,187,897.36	\$ -	\$ 16,229,625.12	\$ -	\$ 47,849,305.07	\$ 449,577,252.44	\$ 304,531,688.26	\$ 449,577,252.44	\$ 399,798,515.81
Noncurrent assets	-	54,998,063.96	-	31,267,840.40	-	92,064,377.40	624,578,153.98	532,464,327.93	624,578,153.98	710,794,609.69
Total assets	<u>\$ -</u>	<u>\$ 86,185,961.32</u>	<u>\$ -</u>	<u>\$ 47,497,465.52</u>	<u>\$ -</u>	<u>\$ 139,913,682.47</u>	<u>\$ 1,074,155,406.42</u>	<u>\$ 836,996,016.19</u>	<u>\$ 1,074,155,406.42</u>	<u>\$ 1,110,593,125.50</u>
Liabilities:										
Current liabilities	\$ -	\$ 13,931,440.26	\$ -	\$ 9,758,491.43	\$ -	\$ 28,843,442.07	\$ 384,745,746.42	\$ 82,628,087.24	\$ 384,745,746.42	\$ 135,161,461.00
Noncurrent liabilities	-	40,688,882.79	-	30,741,975.60	-	93,120,146.78	441,400,825.39	569,716,884.77	441,400,825.39	734,267,889.94
Total liabilities	<u>\$ -</u>	<u>\$ 54,620,323.05</u>	<u>\$ -</u>	<u>\$ 40,500,467.03</u>	<u>\$ -</u>	<u>\$ 121,963,588.85</u>	<u>\$ 826,146,571.81</u>	<u>\$ 652,344,972.01</u>	<u>\$ 826,146,571.81</u>	<u>\$ 869,429,350.94</u>
Deferred Inflows of Resources	-	-	-	-	-	-	678,131.02	2,739,927.04	678,131.02	2,739,927.04
Net position:										
Restricted	-	31,565,638.27	-	6,996,998.49	-	17,950,093.62	97,355,326.90	72,828,050.47	\$ 97,355,326.90	\$ 129,340,780.85
Unrestricted							149,975,376.69	109,083,066.67	149,975,376.69	109,083,066.67
Total net position	<u>\$ -</u>	<u>\$ 31,565,638.27</u>	<u>\$ -</u>	<u>\$ 6,996,998.49</u>	<u>\$ -</u>	<u>\$ 17,950,093.62</u>	<u>\$ 247,330,703.59</u>	<u>\$ 181,911,117.14</u>	<u>\$ 247,330,703.59</u>	<u>\$ 238,423,847.52</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ -</u>	<u>\$ 86,185,961.32</u>	<u>\$ -</u>	<u>\$ 47,497,465.52</u>	<u>\$ -</u>	<u>\$ 139,913,682.47</u>	<u>\$ 1,074,155,406.42</u>	<u>\$ 836,996,016.19</u>	<u>\$ 1,074,155,406.42</u>	<u>\$ 1,110,593,125.50</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position	ALLIOC (2010)		ALLIOC (2012)		ALLIOC (2013)		NTHEA		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Operating revenues	\$ 699,834.03	\$ 638,769.95	\$ 459,734.83	\$ 425,714.74	\$ 1,066,079.47	\$ 982,588.96	\$ 36,514,689.50	\$ 31,261,056.15	\$ 38,740,337.83	\$ 33,308,129.80
Operating expenses	71,675.64	55,099.26	177,065.13	48,959.72	184,399.43	155,675.54	13,252,516.46	9,917,525.57	13,685,656.66	10,177,260.09
Total operating income (loss)	628,158.39	583,670.69	282,669.70	376,755.02	881,680.04	826,913.42	23,262,173.04	21,343,530.58	25,054,681.17	23,130,869.71
Nonoperating revenue	(552,247.71)	(237,527.03)	(421,797.91)	(185,597.68)	(764,348.76)	(701,914.30)	(14,409,430.72)	(12,604,483.34)	(16,147,825.10)	(13,729,522.35)
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	75,910.68	14,301,432.51	(139,128.21)	4,124,168.52	117,331.28	8,887,129.43	8,852,742.32	8,739,047.24	8,906,856.07	36,051,777.70
Net position—beginning of year	\$ 31,565,638.27	\$ -	\$ 6,996,998.49	\$ -	\$ 17,950,093.62	\$ -	\$ 181,911,117.14	\$ 202,372,069.82	\$ 238,423,847.52	\$ 202,372,069.82
Transfers between series/acquisition adjustments	(31,641,548.95)	17,264,205.76	(6,857,870.28)	2,872,829.97	(18,067,424.90)	9,062,964.19	56,566,844.13	(29,199,999.95)	-	0.00
Net position—end of year	<u>\$ (0.00)</u>	<u>\$ 31,565,638.27</u>	<u>\$ 0.00</u>	<u>\$ 6,996,998.49</u>	<u>\$ (0.00)</u>	<u>\$ 17,950,093.62</u>	<u>\$ 247,276,589.84</u>	<u>\$ 181,911,117.10</u>	<u>\$ 247,276,589.84</u>	<u>\$ 238,423,847.52</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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Net cash provided (used) by:										
Operating activities	\$ 628,158.39	\$ 2,578,593.22	\$ 282,669.70	\$ 1,483,094.64	\$ 881,680.04	\$ 3,882,270.65	\$ 228,756,181.15	\$ 146,658,920.32	\$ 230,548,689.28	\$ 154,602,878.83
Noncapital financing activities	(552,247.71)	1,531,607.31	(421,797.91)	(37,688.98)	(764,348.76)	(382,009.91)	(70,411,656.63)	33,959,745.71	(72,150,051.01)	35,071,654.13
Investing activities	(75,910.68)	(4,110,200.53)	139,128.21	(1,445,405.66)	(117,331.28)	(3,500,260.74)	\$ (158,332,207.74)	(180,740,961.53)	(158,386,321.49)	(189,796,828.46)
Change in cash and cash equivalents	-	-	-	-	-	-	12,316.78	(122,295.50)	12,316.78	(122,295.50)
Cash and cash equivalents - beginning of year	-	-	-	-	-	-	-	122,295.50	-	122,295.50
Cash and cash equivalents - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,316.78	\$ 0.00	\$ 12,316.78	\$ 0.00

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **10. SUBSEQUENT EVENTS**

On September 30, 2024, the Authority was notified that it was the winning bidder in an auction for a FFELP loan portfolio being sold by AccessLex Institute. The Authority acquired the portfolio on October 16, 2024, by securing financing from Bank of America on a 1-year non-revolving line of credit. The total purchase price was \$99,729,396.34 with \$91,705,000.00 being financed by the line of credit.



# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## OTHER SUPPLEMENTARY INFORMATION COMBINING SCHEDULE – STATEMENT OF NET POSITION INFORMATION AUGUST 31, 2024 and 2023

ASSETS	2024	Debt Issue				Surplus Fund	Clearing Fund	Total Issues and Other Funds
		2021-1	2021-2	2023-1	2024-1A			
Cash and cash equivalents	\$	-	-	0.01	12,316.77	-	-	12,316.78
Investments - nonrestricted -- current						43,580,161.70		43,580,161.70
Investments - nonrestricted -- long-term						103,891,530.51		103,891,530.51
Investments - restricted -- current		20,297,407.62	17,667,160.91	36,298,644.31	25,021,313.93	988,588.38	32,014.75	100,305,129.90
Accrued interest and other receivables		11,158,429.53	11,017,477.07	14,451,567.03	1,178,597.64	1,232,200.72	785,363.56	39,823,635.55
Accrued Special Allowance receivable		1,237,148.09	818,571.18	1,097,241.00	-	2,187.91	-	3,155,148.18
Amounts due from other funds		222,470.41	572,484.97	-	-	-		794,955.38
Student loan notes receivable - net		254,466,425.30	228,404,840.01	263,946,745.72	35,545,936.99	989,232.52	(396.79)	783,352,783.75
Prepaid expenses		9,676.59	11,805.65	7,405.00	2,468.00	3,344.81	-	34,700.05
Elimination of Amounts Due From Other Funds								(794,955.38)
Total assets	\$	287,391,557.54	258,492,339.79	315,801,603.07	61,760,633.33	150,687,246.55	816,981.52	1,074,155,406.42
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>								
<b>LIABILITIES:</b>								
Accounts payable	\$	249,070.81	221,917.25	290,142.27	212,068.00	33,110.24	22,026.14	1,028,334.71
Amounts due to other funds		-	-	-	-	-	794,955.38	794,955.38
Accrued interest payable		194,787.28	175,756.97	1,364,339.14	20,676.39	-	-	1,755,559.78
Accrued other liabilities		756.87	1,006.52	2,459.94	-	628.60	-	4,851.93
Bonds payable, less unamortized original \$4,651,175 issuance discounts (note 4)		257,604,877.80	229,574,892.38	-	41,681,055.21	-	-	528,860,825.39
Notes payable		-	-	294,497,000.00	-	-	-	294,497,000.00
Total liabilities		258,049,492.76	229,973,573.12	296,153,941.35	41,913,799.60	33,738.84	816,981.52	826,941,527.19
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Related to discount on loans purchased						678,131.02		678,131.02
<b>NET POSITION</b>		29,342,064.78	28,518,766.67	19,647,661.72	19,846,833.73	149,975,376.69	-	247,330,703.59
Elimination of Amounts Due To Other Funds								(794,955.38)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	\$	287,391,557.54	258,492,339.79	315,801,603.07	61,760,633.33	150,687,246.55	816,981.52	1,074,155,406.42

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## OTHER SUPPLEMENTARY INFORMATION COMBINING SCHEDULE – STATEMENT OF NET POSITION INFORMATION AUGUST 31, 2024 and 2023

ASSETS	2023	Debt Issue					Surplus Fund	Clearing Fund	Total Issues and Other Funds
		ALL 2010	ALL 2012	ALL 2013	2021-1	2021-2	2023A LOC		
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	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	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	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)
Total assets		86,185,961.32	47,497,465.52	139,913,682.47	369,189,331.39	339,018,036.60	17,152,483.93	111,929,740.09	1,110,593,125.50
<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	975,598.36
Amounts due to other funds					-	57,314.66	244,980.00	-	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
Total liabilities		54,620,323.05	40,500,467.03	121,963,588.85	333,814,016.48	303,348,856.05	15,368,928.96	106,746.38	870,479,656.05
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Related to discount on loans purchased								2,739,927.04	2,739,927.04
NET POSITION		31,565,638.27	6,996,998.49	17,950,093.62	35,375,314.91	35,669,180.55	1,783,554.97	109,083,066.67	238,423,847.52
Elimination of Amounts Due To Other Funds									(1,050,305.07)
<b>TOTAL LIABILITIES AND NET POSITION</b>		86,185,961.32	47,497,465.52	139,913,682.47	369,189,331.39	339,018,036.60	17,152,483.93	111,929,740.09	1,110,593,125.50

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## OTHER SUPPLEMENTARY INFORMATION

### COMBINING SCHEDULE – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION AUGUST 31, 2024 and 2023

2024	2021-1	2021-2	2023A LOC	2023-1	Debt Issue 2024-1A	ALL 2010	ALL 2012	ALL 2013	Surplus Fund	Total Funds
REVENUES										
Interest on student loans	11,354,227.94	12,799,657.61	110,040.41	11,455,051.66	(7,607.22)	699,834.03	459,734.83	1,066,080.26	803,318.31	38,740,337.83
Interest on investments and income from deferred inflows of resources	1,394,882.59	1,271,500.63	4,595.05	1,100,701.89	17,335.81	55,731.16	20,394.93	48,860.83	8,505,228.99	12,419,231.88
Unrealized gain on investments	-	-	-	-	-	-	-	-	766,775.79	766,775.79
Government Subsidy on Student Loans	272,555.40	633,153.17	2,233.99	407,088.86	-	24,676.46	17,215.40	30,044.68	25,898.43	1,412,866.39
Special allowance income	8,010,262.01	5,562,834.34	87,979.73	5,883,001.75	-	307,796.11	58,429.94	606,703.88	363,572.06	20,880,579.82
Total revenues	21,031,927.94	20,267,145.75	204,849.18	18,845,844.16	9,728.59	1,088,037.76	555,775.10	1,751,689.65	10,464,793.58	74,219,791.71
EXPENSES										
Interest on bonds	16,541,329.21	15,160,064.77	177,784.09	14,408,253.54	20,676.39	607,493.81	433,249.89	1,454,708.15	-	48,803,559.85
Loan servicing fees	1,577,069.47	1,441,718.81	26,114.22	1,111,438.53	-	53,132.76	59,198.72	114,955.67	39,387.79	4,423,015.97
Administrative & operating costs paid to Higher Education Servicing Corporation	1,001,824.78	914,353.42	87,754.92	983,759.90	-	-	-	-	3,079,739.82	6,067,432.84
Trustee fees	31,061.00	28,344.46	10,833.33	31,500.00	-	6,250.02	3,750.00	8,377.50	1,500.00	121,616.31
Borrower incentive loan write-offs	1,556.15	206,973.00	6,592.47	94,952.95	-	-	-	-	13,779.58	323,854.15
Cost of issuance of new debt	-	-	-	2,217,495.26	200,761.30	316,957.63	88,504.95	-	-	2,823,719.14
Miscellaneous expense	73,337.46	97,105.17	119,004.69	1,741,636.04	203,600.00	28,292.86	110,199.75	56,316.22	320,245.19	2,749,737.38
Total expenses	19,226,178.07	17,848,559.63	428,083.72	20,589,036.22	425,037.69	1,012,127.08	694,903.31	1,634,357.54	3,454,652.38	65,312,935.64
OTHER EXPENSES										
CHANGE IN NET POSITION	1,805,749.87	2,418,586.12	(223,234.54)	(1,743,192.06)	(415,309.10)	75,910.68	(139,128.21)	117,332.11	7,010,141.20	8,906,856.07
NET POSITION--Beginning of year	35,375,314.91	35,669,180.55	1,783,554.97	-	-	29,591,783.49	8,433,439.52	18,487,507.41	109,083,066.67	238,423,847.52
Assets transferred to (from) other Bond Series	(7,839,000.00)	(9,569,000.00)	(1,560,320.43)	21,390,853.78	20,262,142.83	(29,667,694.17)	(8,294,311.31)	(18,604,839.52)	33,882,168.82	-
NET POSITION--End of year	29,342,064.78	28,518,766.67	0.00	19,647,661.72	19,846,833.73	-	-	-	149,975,376.69	247,330,703.59

# NORTH TEXAS HIGHER EDUCATION AUTHORITY, INC.

## OTHER SUPPLEMENTARY INFORMATION

### COMBINING SCHEDULE – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION AUGUST 31, 2024 and 2023

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		
REVENUES											
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
EXPENSES											
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
OTHER EXPENSES											
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	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
NET POSITION--Beginning of year	-	-	-	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
NET POSITION--End of year	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