

CONNECTICUT HIGHER EDUCATION TRUST

DIRECT PLAN

Financial Statements

Including

Supplemental Information

June 30, 2020



CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
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June 30, 2020

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Report of Independent Auditors

To the Trustee of the Connecticut Higher Education Trust - Direct Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Connecticut Higher Education Trust - Direct Plan, which comprise the statement of fiduciary net position as of June 30, 2020, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Connecticut Higher Education Trust – Direct Plan as of June 30, 2020, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required supplementary information

The accompanying management's discussion and analysis on pages 4 through 6 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming an opinion on the Connecticut Higher Education Trust - Direct Plan's basic financial statements taken as a whole. The supplemental information on pages 14 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental 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 supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2020 on our consideration of the Connecticut Higher Education Trust - Direct Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Higher Education Trust - Direct Plan's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Baltimore, Maryland
August 26, 2020

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
(unaudited)**

As Plan manager of the Connecticut Higher Education Trust – Direct Plan (the “Direct Plan”), TIAA-CREF Tuition Financing, Inc. (“TFI”) offers readers of the Direct Plan’s financial statements this discussion and analysis of the financial performance for the year ended June 30, 2020. Readers should consider the information presented in this section in conjunction with the Direct Plan’s financial statements and notes to financial statements. The Direct Plan is comprised of 14 investment options (the "Options") in which account owners ("Account Owners") may invest.

Financial Highlights

During the year ended June 30, 2020, the Options within the Direct Plan posted returns as follows:

<u>Conservative Managed Allocation Option</u>		<u>Aggressive Managed Allocation Option</u>	
Ages 0-4	1.73%	Ages 0-4	0.09%
Ages 5-8	1.92	Ages 5-8	0.54
Ages 9-10	2.30	Ages 9-10	0.72
Ages 11-12	2.50	Ages 11-12	1.17
Ages 13-14	2.51	Ages 13-14	1.72
Ages 15	2.53	Ages 15	2.09
Ages 16	2.64	Ages 16	2.65
Ages 17	2.75	Ages 17	3.31
Ages 18 & Over	2.78	Ages 18 & Over	2.60
 <u>Moderate Managed Allocation Option</u>		 <u>Multi-Fund Investment Options</u>	
Ages 0-4	0.00%	Global Equity Index Option	0.34%
Ages 5-8	0.90	Global Tactical Asset Allocation Option	(2.40)
Ages 9-10	1.27	International Equity Index Option	(4.75)
Ages 11-12	2.10	Active Global Equity Option	0.74
Ages 13-14	3.04	U.S. Equity Index Option	6.37
Ages 15	2.77	High Equity Balanced Option	1.09
Ages 16	2.78	Active Fixed-Income Option	4.54
Ages 17	2.52	Social Choice Option	7.98
Ages 18 & Over	2.17	Index Fixed-Income Option	8.57
		Money Market Option	1.24
		Principal Plus Interest Option	2.26

The Direct Plan received \$87.5 million in net subscriptions from Account Owners during the year ended June 30, 2020.

The Direct Plan earned \$88.2 million from investment income, incurred \$3.4 million for operating expenses and had a net decrease in fair value of investments of \$20.1 million during the year ended June 30, 2020.

Overview of the Financial Statements

The Direct Plan’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

This report consists of two parts: Management’s Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position and Notes to Financial Statements that explain the information in the financial statements and provide more detailed information. The measurement focus of economic resources is where a set of financial statements report all inflows, outflows and balances effecting an entity's net position.

The Statement of Fiduciary Net Position presents information on the Direct Plan’s assets and liabilities, with the difference between the two reported as net position as of June 30, 2020. This statement, along with all of the Direct Plan’s financial statements, is prepared using the accrual basis of accounting. Subscriptions are recognized when enrollment in the Direct Plan is finalized; subsequent subscriptions

and redemptions are recognized on trade date; expenses and liabilities are recognized when services are provided, regardless of when cash is disbursed.

The Statement of Changes in Fiduciary Net Position presents information showing how the Direct Plan's assets changed during the year. Changes in net position are reported as soon as the underlying event giving rise to the current change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

This report presents the operating results and financial status of the Direct Plan, which the State of Connecticut reports as a fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity.

Financial Analysis

Net position - The following are condensed Statements of Fiduciary Net Position as of June 30, 2020 and 2019:

	2020	2019
Investments	\$ 3,498,303,161	\$ 3,347,779,228
Cash	93,612	4,523
Receivables	5,495,235	6,051,982
Total Assets	3,503,892,008	3,353,835,733
Payables	5,867,405	8,100,119
Total Liabilities	5,867,405	8,100,119
Total Net Position	\$ 3,498,024,603	\$ 3,345,735,614

Net position represents total subscriptions from Account Owners, plus the net increases (decreases) from operations, less redemptions and expenses.

Investments are approximately 100% of total net position, and consist of the Options, each of which invests in varying percentages in multiple TIAA-CREF Funds and/or other third-party mutual funds, or a funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company to the Connecticut Higher Education Trust. Receivables consist of securities sold, subscriptions, and accrued income. Liabilities consist mainly of payables for securities purchased, redemptions, and accrued expenses.

Changes in net position - The following are Statements of Changes in Fiduciary Net Position for the years ended June 30, 2020 and 2019:

	2020	2019
Additions:		
Subscriptions	\$ 1,755,208,686	\$ 1,544,821,170
Investment income	88,230,434	81,592,081
Net increase in fair value of investments	—	88,386,170
Total Additions	1,843,439,120	1,714,799,421
Deductions:		
Redemptions	(1,667,729,150)	(1,469,255,804)
Direct Plan manager fee	(3,049,726)	(3,270,391)
Administrative fee	(304,972)	(283,814)
Net decrease in fair value of investments	(20,066,283)	—
Total Deductions	(1,691,150,131)	(1,472,810,009)
Changes in Net Position	152,288,989	241,989,412
Net position - beginning of year	3,345,735,614	3,103,746,202
Net position - end of year	\$ 3,498,024,603	\$ 3,345,735,614

As economies and financial markets across the globe struggled with the impact of the COVID-19 pandemic and measures taken to limit its spread, most domestic and international stock markets declined for the six months. The U.S. economy contracted at an annualized rate of 5.0% during the first quarter of 2020, leading to a sharp rise in unemployment in the latter months of the period. Likewise, most other global economies also contracted during the first quarter, and central banks responded with stimulus measures. The U.S. Federal Reserve cut the federal funds target rate in March to 0.00%-0.25%; the European Central Bank created a large bond-buying program to support their economies; and the Bank of England reduced its benchmark interest rate.

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

ASSETS

Cash	\$ 93,612
Investments, at value (Cost: \$3,221,865,582)	3,498,303,161
Dividends and interest receivable	2,932,719
Receivable from securities transactions	831,149
Receivable from Direct Plan units sold	1,731,367
TOTAL ASSETS	<u>3,503,892,008</u>

LIABILITIES

Overdraft payable	6,202
Accrued Direct Plan manager fee	510,256
Accrued administrative fee	51,031
Payable for securities transactions	4,055,293
Payable for Direct Plan units redeemed	1,244,623
TOTAL LIABILITIES	<u>5,867,405</u>

NET POSITION

Held in trust for Account Owners in the Direct Plan	\$ <u>3,498,024,603</u>
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See notes to financial statements

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

ADDITIONS

Subscriptions	\$ 1,755,208,686
Investment income:	
Interest	12,430,658
Dividends	75,799,776
Total investment income	<u>88,230,434</u>
Total additions	<u>1,843,439,120</u>

DEDUCTIONS

Redemptions	(1,667,729,150)
Direct Plan manager fee	(3,049,726)
Administrative fee	(304,972)
Net decrease in fair value of investments	(20,066,283)
Total deductions	<u>(1,691,150,131)</u>

Changes in net position 152,288,989

Net position – beginning of year	<u>3,345,735,614</u>
Net position – end of year	<u><u>\$ 3,498,024,603</u></u>

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies

The Connecticut Higher Education Trust - Direct Plan (the “Direct Plan”) is designed to help people save for the costs of qualified education expenses. The Direct Plan is administered by the Treasurer of the State of Connecticut, as the trustee (the “Trustee”) of the Connecticut Higher Education Trust (the “Trust”). The Trustee has the authority to establish, develop, implement and maintain the Direct Plan and to make and enter into contracts to service the Direct Plan. TIAA-CREF Tuition Financing, Inc. (“TFI”), a wholly owned, direct subsidiary of Teachers Insurance and Annuity Association of America (“TIAA”), and the Trustee have entered into a management agreement (“Management Agreement”) under which TFI serves as Direct Plan manager. The Direct Plan is intended to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code (“Code”). Investment options (the “Options” or individually “Option”), allocations and fees, as approved by the Trustee, are described in the current Disclosure Booklet for the Direct Plan.

The assets in the Principal Plus Interest Option are allocated to a funding agreement (“Funding Agreement”) issued by TIAA-CREF Life Insurance Company (“TIAA Life”), an affiliate of TFI, to the Trust, as policyholder. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA Life.

Teachers Advisors, LLC (“Advisors”), an affiliate of TFI, is registered with the Securities and Exchange Commission as an investment adviser and provides investment advisory services to the TIAA-CREF Funds (the “Funds”). TIAA-CREF Individual & Institutional Services, LLC (“Services”), a wholly owned, direct subsidiary of TIAA, serves as the primary distributor and underwriter for the Direct Plan and provides certain underwriting and distribution services in furtherance of TFI’s marketing plan for the Direct Plan. Services is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended and is a member of the Financial Industry Regulatory Authority.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”) which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Direct Plan.

Other matters: The outbreak of the novel coronavirus (“COVID-19”) and subsequent global pandemic began significantly impacting the U.S. and global financial markets and economies during the calendar quarter ended March 31, 2020. The worldwide spread of COVID-19 has created significant uncertainty in the global economy. The duration and extent of COVID-19 over the long-term cannot be reasonably estimated at this time. The ultimate impact of COVID-19 and the extent to which COVID-19 impacts the Direct Plans’ normal course of business, results of operations, investments, and cash flows will depend on future developments, which are highly uncertain and difficult to predict. Management continues to monitor and evaluate this situation.

Investment income: Securities transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned. Dividend income and capital gain distributions from the underlying mutual funds are recorded on the ex-dividend date. Income distributions from underlying mutual funds are included in total investment income and gain distributions are included in net increase in fair value of investments. Realized gains and losses are based upon the specific identification method.

Income tax: No provision for federal income tax has been recorded. The Direct Plan is designed to constitute a qualified tuition program under Section 529 of the Code and does not expect to have any unrelated business income subject to tax.

Units: The beneficial interests for each account owner (“Account Owner”) in the Options are represented by Direct Plan units. Subscriptions and redemptions are recorded upon receipt of Account Owner’s instructions in good order, based on the next determined net position value per unit (“Unit Value”). Unit Values for each Option are determined at the close of business of the New York Stock Exchange. The Unit Value for financial reporting purposes may differ from the Unit Value for processing transactions. The Unit Value for financial reporting purposes includes security and shareholder transactions through the date of this report. There are no distributions of net investment gains or net investment income to the Option’s Account Owners or beneficiaries.

Subscriptions and redemptions: Subscriptions on the Statement of Changes in Fiduciary Net Position include any subscriptions to the Direct Plan made by Account Owners and any exchanges within the Direct Plan that result in a reinvestment of assets. Redemptions on the Statement of Changes in Fiduciary Net Position include any redemptions from the Direct Plan made by Account Owners and any exchanges within the Direct Plan that result in a withdrawal and subsequent reinvestment of assets.

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (continued)**

Note 2 – Valuation of Investments

Fair value measurements are grouped categorically into three levels, as defined by the GASB. The levels are defined as follows:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit spreads, etc.)
- Level 3 – significant unobservable inputs (including the Direct Plan’s own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A description of the valuation techniques applied to the Direct Plan’s major categories of investments follows:

Investments in registered investment companies: These investments are valued at their published net asset value on the valuation date. These investments are categorized in Level 1 of the fair value hierarchy.

Funding Agreement: The Funding Agreement, to which the Principal Plus Interest Option allocates assets, is considered a nonparticipating interest-earning investment contract and is accounted for at cost. Because the Funding Agreement is valued at cost, it is not included in the fair value hierarchy.

Note 3 – Direct Plan Fees

Each Option (with the exception of the Principal Plus Interest Option) pays TFI a Direct Plan manager fee of 0.10% of the average daily net assets of the Option. The Direct Plan manager fee is subject to reductions if total assets in the Direct Plan reach certain levels. In addition, Advisors is paid investment management fees on the underlying investments in the Funds.

The Principal Plus Interest Option does not pay a Direct Plan manager fee or an administrative fee to the Trustee. TIAA Life, the issuer of the funding agreement in which this Option invests and an affiliate of TFI, makes payments to TFI. As a result, the participant does not incur any expense related to this option.

For its services in administering the Direct Plan, each Option (with the exception of the Principal Plus Interest Option) pays to the Trustee an administrative fee at an annual rate of 0.01% of the average daily net assets of the Option. TIAA Life also pays the Trustee a fee equal to 0.01% of the average daily net assets held by the Principal Plus Interest Option. The fee is deposited in an administrative fund held by the Trustee and then used to pay certain administrative expenses.

These amounts are reflected in the expenses on the Statement of Changes in Fiduciary Net Position.

Note 4 – Investments

Cash deposits: Cash deposits at June 30, 2020 were covered by federal depository insurance coverage.

Investments: As of June 30, 2020, net unrealized appreciation (depreciation) of portfolio investments was \$276,437,579 consisting of gross unrealized appreciation of \$330,460,305 and gross unrealized depreciation of \$54,022,726.

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (continued)**

At June 30, 2020, the Direct Plan’s investments consist of the following:

	<u>Units</u>	<u>Cost</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):			
Bond Index Fund	30,049,182	\$ 324,697,815	\$ 350,373,468
Emerging Markets Equity Index Fund	2,556,078	24,907,512	26,685,454
Equity Index Fund	33,068,112	566,280,079	745,024,556
Growth & Income Fund	997,133	11,739,484	14,039,638
High-Yield Fund	12,401,089	119,156,001	110,989,749
Inflation-Linked Bond Fund	22,629,476	257,127,300	269,969,651
International Equity Index Fund	28,391,287	506,759,353	506,784,479
Money Market Fund	73,510,790	73,510,790	73,510,790
S&P 500 Index Fund	2,802,219	32,776,521	96,088,090
Social Choice Equity Fund	3,214,484	48,754,587	64,803,993
BlackRock Strategic Income Opportunities Fund (Institutional Class)	24,567,561	242,530,857	242,481,828
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	5,454,582	110,032,260	101,837,048
DFA World ex U.S. Core Equity Portfolio (Institutional Class)	1,065,486	11,479,313	10,633,555
Harding Loevner International Equity Portfolio (Institutional Class)	745,417	17,171,460	16,913,503
MetWest Total Return Bond Fund (Institutional Class)	2,767,337	27,807,450	29,997,938
PIMCO All Asset Fund (Institutional Class)	598,234	6,801,701	6,634,411
State Street Institutional Small Cap Equity Fund (Institutional Class)	1,092,090	20,144,088	16,228,460
T. Rowe Price Inst. Large-Cap Growth Fund (Institutional Class)	159,384	3,934,865	7,776,368
T. Rowe Price Inst. Large-Cap Value Fund (Institutional Class)	285,664	5,879,812	5,519,028
Templeton Global Bond Fund (Advisor Class)	4,011,698	46,205,214	39,956,515
Vanguard Mid Cap Index Fund (Institutional Class)	455,385	17,961,579	20,419,457
Vanguard Real Estate Index Fund (Institutional Class)	6,895,274	123,377,938	118,805,579
TIAA-CREF Life Insurance Company:			
Funding Agreements	290,858,900	622,829,603	622,829,603
		<u>\$ 3,221,865,582</u>	<u>\$ 3,498,303,161</u>

Note 5 – Investment Risks

Certain investments are subject to a variety of investment risks based on the amount of risk in the underlying funds. GASB requires that entities disclose certain essential risk information about deposits and investments. All of the Direct Plan’s Options are uninsured, unregistered and are held by a custodian in the Direct Plan’s name.

Investment policy: The Direct Plan does not have specific investment policies which address credit, interest rate, foreign currency or custodial credit risk. The Direct Plan's Options are managed based on specific investment objectives and strategies which are disclosed in the current Direct Plan Disclosure Booklet.

Custodial credit risk: Custodial credit risk represents the potential inability of a custodian to return Direct Plan deposits and investments in the event of a failure. An Account Owner has an investment in an Option and not a direct investment in any underlying mutual fund or other investment vehicle to which funds in that Option may be allocated. Because of this ownership structure, the custodial credit risk is mitigated.

Credit risk: The mutual funds investing primarily in fixed income securities are subject to credit risk. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The mutual funds do not carry a formal credit quality rating. The Funding Agreement is a guaranteed insurance product issued by TIAA Life. TIAA Life had a Standard & Poor’s credit rating of AA+ at June 30, 2020.

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
NOTES TO FINANCIAL STATEMENTS (concluded)**

Interest rate risk: Interest rate risk represents exposure to changes in the fair value of investments due to volatility in interest rates. At June 30, 2020, the average maturities for the fixed income mutual funds are as follows:

<u>Investment</u>	<u>Value</u>	<u>Weighted Average Maturity</u>
TIAA-CREF Funds (Institutional Class):		
Bond Index Fund	\$ 350,373,468	8.16 years
High-Yield Fund	110,989,749	6.16 years
Inflation-Linked Bond Fund	269,969,651	5.28 years
BlackRock Strategic Income Opportunities Fund (Institutional Class)	242,481,828	7.10 years
MetWest Total Return Bond Fund (Institutional Class)	29,997,938	7.59 years
PIMCO All Asset Fund (Institutional Class)	6,634,411	8.77 years
Templeton Global Bond Fund (Advisor Class)	39,956,515	2.76 years

Foreign currency risk: Foreign currency risk represents exposure to changes in the fair value of investments due to volatility in exchange rates. The Direct Plan does not have any direct investment in foreign securities. Certain Direct Plan Options allocate assets to mutual funds that are exposed to foreign currency risk. At June 30, 2020, the value of investments in mutual funds that significantly invest in foreign denominated contracts are as follows:

<u>Investment</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):	
Emerging Markets Equity Index Fund	\$ 26,685,454
International Equity Index Fund	506,784,479
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	101,837,048
DFA World ex U.S. Core Equity Fund (Institutional Class)	10,633,555
Harding Loevner International Equity Portfolio (Institutional Class)	16,913,503
PIMCO All Asset Fund (Institutional Class)	6,634,411
Templeton Global Bond Fund (Advisor Class)	39,956,515

Note 6 – Guarantees and Indemnifications

Under the Direct Plan's organizational documents, each officer, employee or other agent of the Direct Plan (including TFI) is indemnified against certain liabilities that may arise out of performance of their duties to the Direct Plan. Additionally, in the normal course of business, the Direct Plan enters into contracts that contain a variety of indemnification clauses. The Direct Plan's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Direct Plan that have not yet occurred. However, the Direct Plan has not had prior claims or losses pursuant to these contracts, and management expects the risk of loss to be remote.

SUPPLEMENTAL INFORMATION

The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Connecticut Higher Education Trust – Direct Plan (“Direct Plan”). It shows financial information relating to the investment options, which are included in the Direct Plan during the year ended June 30, 2020.

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2020

Conservative Managed Allocation Option

Age Bands within the Conservative Managed Allocation Option

	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 1,544,456	\$ 3,474,880	\$ 2,438,404	\$ 3,115,180	\$ 3,512,153	\$ 1,855,334	\$ 2,140,915
Equity Index Fund	2,618,863	4,754,528	2,460,325	2,007,150	2,000,928	795,177	995,937
High Yield Fund	862,727	1,683,265	1,056,203	1,152,826	1,360,377	688,048	706,617
Inflation-Linked Bond Fund	1,867,568	3,331,387	2,078,830	2,255,698	2,678,947	1,568,830	1,925,404
International Equity Index Fund	1,611,696	2,947,244	1,527,972	1,235,487	1,135,072	452,833	547,617
SUBTOTAL	8,505,310	16,191,304	9,561,734	9,766,341	10,687,477	5,360,222	6,316,490
BlackRock Strategic Income Opportunities Fund	1,452,498	3,043,208	2,036,903	2,364,054	2,980,281	1,531,650	1,458,241
DFA Emerging Markets Core Equity Portfolio	464,746	729,594	360,356	258,690	305,078	168,894	259,421
Templeton Global Bond Fund	99,140	194,810	369,546	671,512	956,662	369,388	396,199
Vanguard Real Estate Index Fund	844,428	1,457,372	783,944	717,843	669,330	294,180	275,223
SUBTOTAL	2,860,812	5,424,984	3,550,749	4,012,099	4,911,351	2,364,112	2,389,084
TIAA-CREF Life Insurance Company:							
Funding Agreements	—	423,572	662,769	1,152,859	2,057,267	2,498,443	5,839,340
TOTAL INVESTMENTS	11,366,122	22,039,860	13,775,252	14,931,299	17,656,095	10,222,777	14,544,914
Dividends and interest receivable	13,337	25,998	17,310	18,672	24,585	15,500	22,080
Receivable from securities transactions	1,062	1,983	1,257	1,217	1,570	937	1,230
Receivable from Direct Plan units sold	12,642	20,248	5,491	2,276	26,265	5,344	51,964
TOTAL ASSETS	11,393,163	22,088,089	13,799,310	14,953,464	17,708,515	10,244,558	14,620,188
LIABILITIES							
Accrued Direct Plan manager fee	1,949	3,631	2,303	2,276	2,899	1,707	2,287
Accrued administrative fee	195	363	230	228	290	171	229
Payable for securities transactions	25,979	46,247	22,801	20,948	50,849	20,844	74,044
Payable for Direct Plan units redeemed	—	—	—	—	—	—	—
TOTAL LIABILITIES	28,123	50,241	25,334	23,452	54,038	22,722	76,560
NET POSITION	\$ 11,365,040	\$ 22,037,848	\$ 13,773,976	\$ 14,930,012	\$ 17,654,477	\$ 10,221,836	\$ 14,543,628
UNITS OUTSTANDING	1,019,272	1,978,116	1,239,216	1,349,914	1,604,110	935,093	1,338,113
NET POSITION VALUE PER UNIT	\$ 11.15	\$ 11.14	\$ 11.12	\$ 11.06	\$ 11.01	\$ 10.93	\$ 10.87
INVESTMENTS AT COST	\$ 10,832,836	\$ 21,372,916	\$ 13,405,629	\$ 14,584,836	\$ 17,253,036	\$ 9,970,867	\$ 14,270,936

	Age 17	Age 18 & Over	Total
\$	2,086,820	\$ 3,616,568	\$ 23,784,710
	750,254	980,553	17,363,715
	646,572	1,266,973	9,423,608
	2,189,240	3,496,304	21,392,208
	463,486	408,314	10,329,721
	6,136,372	9,768,712	82,293,962
	1,486,978	1,722,344	18,076,157
	146,061	—	2,692,840
	454,185	—	3,511,442
	161,704	427,174	5,631,198
	2,248,928	2,149,518	29,911,637
	8,078,457	30,573,784	51,286,491
	16,463,757	42,492,014	163,492,090
	24,804	66,248	228,534
	21,807	3,479	34,542
	2,998	106,139	233,367
	16,513,366	42,667,880	163,988,533
	2,598	6,375	26,025
	260	638	2,604
	24,804	141,374	427,890
	23,393	31,013	54,406
	51,055	179,400	510,925
\$	16,462,311	\$ 42,488,480	\$ 163,477,608
	1,521,631	3,955,911	
\$	10.82	\$ 10.74	
\$	16,238,688	\$ 41,972,598	\$ 159,902,342

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2020

Moderate Managed Allocation Option

Age Bands within the Moderate Managed Allocation Option

	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 2,022,850	\$ 11,543,913	\$ 13,851,507	\$ 22,269,246	\$ 42,255,579	\$ 25,475,740	\$ 25,935,265
Equity Index Fund	17,022,514	33,675,122	24,200,979	28,942,514	31,002,926	16,095,444	15,403,399
High Yield Fund	2,322,044	5,361,914	4,541,061	6,031,154	8,299,827	4,655,496	6,185,936
Inflation-Linked Bond Fund	969,235	8,941,625	10,452,636	20,278,194	26,070,330	14,604,116	16,178,921
International Equity Index Fund	12,198,071	24,654,045	14,334,942	16,708,811	22,438,266	8,587,384	8,640,086
SUBTOTAL	34,534,714	84,176,619	67,381,125	94,229,919	130,066,928	69,418,180	72,343,607
BlackRock Strategic Income Opportunities Fund	5,246,563	12,114,942	11,209,702	16,059,908	22,241,624	12,459,577	13,817,699
DFA Emerging Markets Core Equity Portfolio	3,760,268	6,371,309	4,647,014	5,078,781	5,683,043	3,146,291	2,651,709
Templeton Global Bond Fund	—	—	4,134,297	3,260,434	4,542,777	2,549,187	2,811,070
Vanguard Real Estate Index Fund	5,532,277	10,677,186	8,130,060	8,441,468	9,864,558	5,563,358	5,094,889
SUBTOTAL	14,539,108	29,163,437	28,121,073	32,840,591	42,332,002	23,718,413	24,375,367
TIAA-CREF Life Insurance Company:							
Funding Agreements							
TOTAL INVESTMENTS	49,073,822	113,340,056	95,502,198	127,070,510	175,720,288	97,787,280	108,055,959
Cash	—	600	—	150	—	7,667	6,000
Dividends and interest receivable	52,223	115,483	101,176	136,739	211,065	120,480	148,013
Receivable from securities transactions	4,610	10,376	8,666	11,730	16,677	8,626	130,223
Receivable from Direct Plan units sold	36,662	58,565	43,149	68,742	64,837	52,512	11,605
TOTAL ASSETS	49,167,317	113,525,080	95,655,189	127,287,871	176,012,867	97,976,565	108,351,800
LIABILITIES							
Accrued Direct Plan manager fee	8,520	19,066	15,868	21,346	30,232	15,708	18,804
Accrued administrative fee	852	1,907	1,587	2,135	3,023	1,571	1,880
Payable for securities transactions	86,785	173,371	144,275	198,065	251,188	179,033	148,013
Payable for Direct Plan units redeemed	2,100	1,277	—	8,729	(12,161)	1,467	137,036
TOTAL LIABILITIES	98,257	195,621	161,730	230,275	272,282	197,779	305,733
NET POSITION	\$ 49,069,060	\$ 113,329,459	\$ 95,493,459	\$ 127,057,596	\$ 175,740,585	\$ 97,778,786	\$ 108,046,067
UNITS OUTSTANDING	4,391,438	10,135,850	8,578,989	11,389,838	15,705,252	8,794,160	9,752,753
NET POSITION VALUE PER UNIT	\$ 11.17	\$ 11.18	\$ 11.13	\$ 11.16	\$ 11.19	\$ 11.12	\$ 11.08
INVESTMENTS AT COST	\$ 46,773,311	\$ 109,394,661	\$ 92,913,543	\$ 122,952,840	\$ 169,993,595	\$ 94,749,931	\$ 105,294,094

	Age 17	Age 18 & Over	Total
\$	20,701,637	\$ 22,711,799	\$ 186,767,536
	13,849,434	29,664,226	209,856,558
	6,746,049	21,120,002	65,263,483
	17,521,151	54,538,518	169,554,726
	8,385,923	16,672,401	132,619,929
	67,204,194	144,706,946	764,062,232
	14,996,479	35,882,353	144,028,847
	1,944,816	6,201,411	39,484,642
	3,093,695	6,469,146	26,860,606
	4,492,393	10,712,051	68,508,240
	24,527,383	59,264,961	278,882,335
	24,606,789	152,972,893	196,888,712
	116,338,366	356,944,800	1,239,833,279
	—	54,825	69,242
	151,144	502,966	1,539,289
	10,102	300,774	501,784
	21,615	6,717	364,404
	116,521,227	357,810,082	1,242,307,998
	18,391	55,179	203,114
	1,839	5,518	20,312
	160,938	502,966	1,844,634
	15,113	364,918	518,479
	196,281	928,581	2,586,539
\$	116,324,946	\$ 356,881,501	\$ 1,239,721,459
	10,583,919	32,935,572	
\$	10.99	\$ 10.84	
\$	114,140,751	\$ 350,199,312	\$ 1,206,412,038

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2020**

Aggressive Managed Allocation Option

Age Bands within the Aggressive Managed Allocation Option

	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 1,678,290	\$ 4,239,171	\$ 3,853,822	\$ 8,808,407	\$ 10,190,699	\$ 5,632,345	\$ 8,336,807
Equity Index Fund	33,664,497	53,773,259	34,707,458	36,210,812	29,016,532	11,912,682	9,179,640
High Yield Fund	3,059,295	5,204,441	3,501,130	4,051,966	4,649,584	2,594,739	2,290,672
Inflation-Linked Bond Fund	804,594	6,782,468	6,450,352	9,517,745	14,414,253	7,182,102	5,988,484
International Equity Index Fund	24,313,569	38,235,014	22,940,241	24,971,715	19,217,633	7,747,731	5,733,886
SUBTOTAL	63,520,245	108,234,353	71,453,003	83,560,645	77,488,701	35,069,599	31,529,489
BlackRock Strategic Income Opportunities Fund	4,731,038	9,350,710	7,227,694	10,389,325	10,553,225	6,218,446	5,489,559
DFA Emerging Markets Core Equity Portfolio	5,248,509	9,737,230	6,223,294	5,349,853	4,077,251	1,904,507	1,329,421
Templeton Global Bond Fund	—	—	—	—	—	—	—
Vanguard Real Estate Index Fund	6,817,422	10,366,956	6,954,394	7,089,961	5,533,241	2,155,056	1,903,467
SUBTOTAL	16,796,969	29,454,896	20,405,382	22,829,139	20,163,717	10,278,009	8,722,447
TIAA-CREF Life Insurance Company:							
Funding Agreements	—	—	—	—	—	—	—
TOTAL INVESTMENTS	80,317,214	137,689,249	91,858,385	106,389,784	97,652,418	45,347,608	40,251,936
Cash	1,000	500	1,000	1,050	3,050	—	—
Dividends and interest receivable	64,298	118,090	80,692	91,100	88,989	45,312	46,622
Receivable from securities transactions	7,405	12,138	10,305	9,191	8,770	7,054	3,767
Receivable from Direct Plan units sold	61,466	70,065	18,566	89,271	53,048	46,157	59,702
TOTAL ASSETS	80,451,383	137,890,042	91,968,948	106,580,396	97,806,275	45,446,131	40,362,027
LIABILITIES							
Overdraft payable	—	—	—	—	—	5,917	—
Accrued Direct Plan manager fee	13,750	22,505	15,008	16,994	16,057	6,861	6,831
Accrued administrative fee	1,375	2,251	1,501	1,699	1,606	686	683
Payable for securities transactions	115,530	165,069	80,692	145,276	143,864	45,312	106,324
Payable for Direct Plan units redeemed	11,334	21,336	21,754	36,145	1,224	43,594	—
TOTAL LIABILITIES	141,989	211,161	118,955	200,114	162,751	102,370	113,838
NET POSITION	\$ 80,309,394	\$ 137,678,881	\$ 91,849,993	\$ 106,380,282	\$ 97,643,524	\$ 45,343,761	\$ 40,248,189
UNITS OUTSTANDING	7,147,337	12,234,807	8,173,656	9,471,266	8,694,414	4,046,171	3,586,277
NET POSITION VALUE PER UNIT	\$ 11.24	\$ 11.25	\$ 11.24	\$ 11.23	\$ 11.23	\$ 11.21	\$ 11.22
INVESTMENTS AT COST	\$ 75,841,652	\$ 132,165,211	\$ 88,260,279	\$ 102,637,891	\$ 94,764,766	\$ 43,902,317	\$ 38,537,662

Age 17	Age 18 & Over	Total
\$ 9,733,149	\$ 12,017,054	\$ 64,489,744
7,494,205	13,131,862	229,090,947
1,418,104	3,201,402	29,971,333
5,229,972	9,930,627	66,300,597
4,295,582	8,440,014	155,895,385
28,171,012	46,720,959	545,748,006
5,119,805	9,788,136	68,867,938
921,516	2,167,835	36,959,416
—	1,485,755	1,485,755
1,411,581	2,434,063	44,666,141
7,452,902	15,875,789	151,979,250
1,783,531	19,792,010	21,575,541
37,407,445	82,388,758	719,302,797
—	—	6,600
42,418	99,194	676,715
3,283	26,484	88,397
17,590	23,358	439,223
37,470,736	82,537,794	720,513,732
—	—	5,917
5,941	12,246	116,193
594	1,225	11,620
56,437	99,194	957,698
3,571	43,192	182,150
66,543	155,857	1,273,578
\$ 37,404,193	\$ 82,381,937	\$ 719,240,154
3,326,568	7,468,468	
\$ 11.24	\$ 11.03	
\$ 35,890,746	\$ 79,440,479	\$ 691,441,003

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2020

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option	International Equity Index Option	Active Global Equity Option	U.S. Equity Index Option	High Equity Balanced Option
ASSETS						
Investments, at value:						
TIAA-CREF Funds (Institutional Class):						
Bond Index Fund	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 37,831,098
Emerging Markets Equity Index Fund	26,685,454	—	—	—	—	—
Equity Index Fund	100,393,453	—	—	—	188,319,883	—
Growth & Income Fund	—	—	—	14,039,638	—	—
High-Yield Fund	—	—	—	—	—	—
Inflation-Linked Bond Fund	—	—	—	—	—	6,870,586
International Equity Index Fund	95,626,480	—	17,987,535	—	—	94,325,429
Money Market Fund	—	—	—	—	—	—
S&P 500 Index Fund	—	—	—	—	—	96,088,090
Social Choice Equity Fund	—	—	—	—	—	—
SUBTOTAL	222,705,387	—	17,987,535	14,039,638	188,319,883	235,115,203
BlackRock Strategic Income Opportunities Fund	—	—	—	—	—	—
DFA Emerging Markets Core Equity Portfolio	—	—	—	—	—	22,700,150
DFA World ex U.S. Core Equity Portfolio	—	—	—	10,633,555	—	—
Harding Loevner International Equity Portfolio	—	—	—	16,913,503	—	—
MetWest Total Return Bond Fund	—	—	—	—	—	—
PIMCO All Asset Fund	—	6,634,411	—	—	—	—
State Street Institutional Small Cap Equity Fund	—	—	—	2,265,728	—	13,962,732
T. Rowe Price Inst. Large-Cap Growth Fund	—	—	—	7,776,368	—	—
T. Rowe Price Inst. Large-Cap Value Fund	—	—	—	5,519,028	—	—
Templeton Global Bond Fund	—	—	—	—	—	2,938,076
Vanguard Mid-Cap Index Fund	—	—	—	1,853,225	—	18,566,232
SUBTOTAL	—	6,634,411	—	44,961,407	—	58,167,190
TIAA-CREF Life Insurance Company:						
Funding Agreement	—	—	—	—	—	—
TOTAL INVESTMENTS	222,705,387	6,634,411	17,987,535	59,001,045	188,319,883	293,282,393
Cash	1	5	—	—	—	—
Dividends and interest receivable	—	—	—	89,910	—	229,501
Receivable from securities transactions	19,483	560	1,530	6,062	16,243	25,904
Receivable from Direct Plan units sold	44,904	47,340	6,532	17,489	105,575	98,036
TOTAL ASSETS	222,769,775	6,682,316	17,995,597	59,114,506	188,441,701	293,635,834
LIABILITIES						
Overdraft payable	—	—	—	285	—	—
Accrued Direct Plan manager fee	36,053	1,038	2,872	9,469	30,135	47,717
Accrued administrative fee	3,605	104	287	947	3,014	4,772
Payable for securities transactions	24,104	35,970	6,531	89,910	68,862	274,937
Payable for Direct Plan units redeemed	20,800	11,369	—	18,450	36,713	52,601
TOTAL LIABILITIES	84,562	48,481	9,690	119,061	138,724	380,027
NET POSITION	\$ 222,685,213	\$ 6,633,835	\$ 17,985,907	\$ 58,995,445	\$ 188,302,977	\$ 293,255,807
UNITS OUTSTANDING	10,699,296	605,030	1,603,085	2,875,956	11,745,729	11,688,633
NET POSITION VALUE PER UNIT	\$ 20.81	\$ 10.96	\$ 11.22	\$ 20.51	\$ 16.03	\$ 25.09
INVESTMENTS AT COST	\$ 148,339,740	\$ 6,801,701	\$ 18,343,914	\$ 54,603,748	\$ 153,564,398	\$ 215,112,556

Active Fixed- Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option	Total
\$ —	\$ —	\$ 37,500,380	\$ —	\$ —	\$ 75,331,478
—	—	—	—	—	26,685,454
—	—	—	—	—	288,713,336
—	—	—	—	—	14,039,638
6,331,325	—	—	—	—	6,331,325
5,851,534	—	—	—	—	12,722,120
—	—	—	—	—	207,939,444
—	—	—	73,510,790	—	73,510,790
—	—	—	—	—	96,088,090
—	64,803,993	—	—	—	64,803,993
12,182,859	64,803,993	37,500,380	73,510,790	—	866,165,668
11,508,886	—	—	—	—	11,508,886
—	—	—	—	—	22,700,150
—	—	—	—	—	10,633,555
—	—	—	—	—	16,913,503
29,997,938	—	—	—	—	29,997,938
—	—	—	—	—	6,634,411
—	—	—	—	—	16,228,460
—	—	—	—	—	7,776,368
—	—	—	—	—	5,519,028
5,160,636	—	—	—	—	8,098,712
—	—	—	—	—	20,419,457
46,667,460	—	—	—	—	156,430,468
—	—	—	—	353,078,859	353,078,859
58,850,319	64,803,993	37,500,380	73,510,790	353,078,859	1,375,674,995
2,735	29	—	15,000	—	17,770
93,021	—	68,331	7,418	—	488,181
83,029	14,784	3,238	35,593	—	206,426
18,054	14,394	42,417	27,067	272,565	694,373
59,047,158	64,833,200	37,614,366	73,595,868	353,351,424	1,377,081,745
—	—	—	—	—	285
9,684	10,328	5,949	11,679	—	164,924
969	1,033	595	1,169	—	16,495
93,021	—	110,748	7,418	113,570	825,071
95,762	23,607	—	71,291	158,995	489,588
199,436	34,968	117,292	91,557	272,565	1,496,363
\$ 58,847,722	\$ 64,798,232	\$ 37,497,074	\$ 73,504,311	\$ 353,078,859	\$ 1,375,585,382
3,232,031	2,370,783	2,715,803	6,925,247	21,108,156	
\$ 18.21	\$ 27.33	\$ 13.81	\$ 10.61	\$ 16.73	
\$ 57,130,991	\$ 48,754,587	\$ 34,868,915	\$ 73,510,790	\$ 353,078,859	\$ 1,164,110,199

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

Conservative Managed Allocation Option							
Age Bands within the Conservative Managed Allocation Option							
	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
ADDITIONS							
Subscriptions	\$ 5,290,536	\$ 10,047,576	\$ 11,358,346	\$ 12,284,132	\$ 15,768,030	\$ 13,298,090	\$ 18,396,572
Increase from investment operations:							
Interest	—	9,346	12,874	21,300	39,609	52,615	110,348
Dividends from underlying funds	328,271	604,078	318,824	335,305	400,499	212,419	209,889
Realized gain distributions from underlying funds	8,239	14,788	6,975	6,359	7,569	3,832	3,533
Net unrealized appreciation on underlying fund shares	—	—	63,004	51,443	101,487	96,124	108,041
Net increase from investment operations	336,510	628,212	401,677	414,407	549,164	364,990	431,811
TOTAL ADDITIONS	\$ 5,627,046	\$ 10,675,788	\$ 11,760,023	\$ 12,698,539	\$ 16,317,194	\$ 13,663,080	\$ 18,828,383
DEDUCTIONS							
Redemptions	\$ 5,131,816	\$ 8,832,765	\$ 7,731,613	\$ 8,977,761	\$ 10,986,305	\$ 12,341,044	\$ 15,175,424
Expenses:							
Direct Plan manager fee	11,721	21,921	11,953	12,398	15,247	9,672	12,311
Administrative fee	1,172	2,192	1,195	1,240	1,525	967	1,231
Total expenses	12,893	24,113	13,148	13,638	16,772	10,639	13,542
Net unrealized depreciation on underlying fund shares	30,755	44,722	—	—	—	—	—
Net realized loss on investments in underlying fund shares	259,346	298,335	75,345	95,195	201,005	165,111	94,951
TOTAL DEDUCTIONS	\$ 5,434,810	\$ 9,199,935	\$ 7,820,106	\$ 9,086,594	\$ 11,204,082	\$ 12,516,794	\$ 15,283,917
NET POSITION							
Net increase in fiduciary net position	192,236	1,475,853	3,939,917	3,611,945	5,113,112	1,146,286	3,544,466
Beginning of year	11,172,804	20,561,995	9,834,059	11,318,067	12,541,365	9,075,550	10,999,162
End of year	\$ 11,365,040	\$ 22,037,848	\$ 13,773,976	\$ 14,930,012	\$ 17,654,477	\$ 10,221,836	\$ 14,543,628
UNITS							
Sold	474,762	917,289	1,049,452	1,134,363	1,459,508	1,238,964	1,724,926
Redeemed	(474,564)	(820,602)	(715,165)	(833,000)	(1,022,788)	(1,155,421)	(1,425,601)
NET INCREASE	198	96,687	334,287	301,363	436,720	83,543	299,325

Age 17	Age 18 & Over	Total
\$ 20,446,336	\$ 26,897,042	\$ 133,786,660
142,830	544,322	933,244
183,804	250,960	2,844,049
2,936	3,695	57,926
80,790	260,891	761,780
410,360	1,059,868	4,596,999
\$ 20,856,696	\$ 27,956,910	\$ 138,383,659

\$ 15,465,364	\$ 18,029,762	\$ 102,671,854
13,014	33,791	142,028
1,301	3,379	14,202
14,315	37,170	156,230
—	—	75,477
24,115	22,555	1,235,958
\$ 15,503,794	\$ 18,089,487	\$ 104,139,519

5,352,902	9,867,423	34,244,140
11,109,409	32,621,057	129,233,468
\$ 16,462,311	\$ 42,488,480	\$ 163,477,608

1,923,607	2,542,441	12,465,312
(1,457,158)	(1,707,169)	(9,611,468)
466,449	835,272	2,853,844

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

Moderate Managed Allocation Option

Age Bands within the Moderate Managed Allocation Option

	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
ADDITIONS							
Subscriptions	\$ 19,788,429	\$ 39,722,826	\$ 57,550,589	\$ 72,370,145	\$ 99,594,470	\$ 105,600,845	\$ 116,132,609
Increase from investment operations:							
Interest	—	—	—	—	77,770	106,224	269,321
Dividends from underlying funds	1,453,638	3,342,019	2,787,419	3,678,254	4,928,308	2,652,272	2,845,040
Realized gain distributions from underlying funds	48,866	100,519	71,642	90,612	109,200	55,598	56,401
Net unrealized appreciation on underlying fund shares	—	—	—	—	495,757	194,048	359,849
Net increase from investment operations	1,502,504	3,442,538	2,859,061	3,768,866	5,611,035	3,008,142	3,530,611
TOTAL ADDITIONS	\$ 21,290,933	\$ 43,165,364	\$ 60,409,650	\$ 76,139,011	\$ 105,205,505	\$ 108,608,987	\$ 119,663,220
DEDUCTIONS							
Redemptions	\$ 21,290,677	\$ 48,715,193	\$ 60,755,561	\$ 85,892,794	\$ 105,552,629	\$ 111,771,045	\$ 125,235,039
Expenses:							
Direct Plan manager fee	51,783	120,556	97,774	134,199	183,098	100,282	114,370
Administrative fee	5,178	12,056	9,777	13,420	18,310	10,028	11,437
Total expenses	56,961	132,612	107,551	147,619	201,408	110,310	125,807
Net unrealized depreciation on underlying fund shares	1,126,730	2,154,732	1,293,580	877,108	—	—	—
Net realized loss on investments in underlying fund shares	819,720	959,843	790,930	492,187	546,776	992,186	468,900
TOTAL DEDUCTIONS	\$ 23,294,088	\$ 51,962,380	\$ 62,947,622	\$ 87,409,708	\$ 106,300,813	\$ 112,873,541	\$ 125,829,746
NET POSITION							
Net increase (decrease) in fiduciary net position	(2,003,155)	(8,797,016)	(2,537,972)	(11,270,697)	(1,095,308)	(4,264,554)	(6,166,526)
Beginning of year	51,072,215	122,126,475	98,031,431	138,328,293	176,835,893	102,043,340	114,212,593
End of year	49,069,060	113,329,459	95,493,459	127,057,596	175,740,585	97,778,786	108,046,067
UNITS							
Sold	1,754,972	3,578,975	5,269,035	6,648,829	9,151,305	9,745,347	10,779,768
Redeemed	(1,937,301)	(4,465,879)	(5,611,540)	(7,918,449)	(9,728,300)	(10,379,027)	(11,624,148)
NET INCREASE (DECREASE)	(182,329)	(886,904)	(342,505)	(1,269,620)	(576,995)	(633,680)	(844,380)

Ages 17	Ages 18 & Over	Total
\$ 128,143,474	\$ 146,376,959	\$ 785,280,346
531,581	3,099,834	4,084,730
2,518,969	5,223,683	29,429,602
51,351	106,790	690,979
67,963	1,255,657	2,373,274
3,169,864	9,685,964	36,578,585
\$ 131,313,338	\$ 156,062,923	\$ 821,858,931

\$ 127,837,864	\$ 145,384,839	\$ 832,435,641
112,518	323,363	1,237,943
11,252	32,336	123,794
123,770	355,699	1,361,737
—	—	5,452,150
336,318	990,460	6,397,320
\$ 128,297,952	\$ 146,730,998	\$ 845,646,848

3,015,386	9,331,925	(23,787,917)
113,309,560	347,549,576	1,263,509,376
116,324,946	356,881,501	1,239,721,459

11,935,538	13,740,642	72,604,411
(11,926,428)	(13,570,319)	(77,161,391)
9,110	170,323	(4,556,980)

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

**Aggressive Managed Allocation Option
Age Bands within the Aggressive Managed Allocation Option**

	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
ADDITIONS							
Subscriptions	\$ 34,319,602	\$ 53,756,683	\$ 55,497,737	\$ 63,778,977	\$ 61,923,056	\$ 49,357,851	\$ 44,256,996
Increase from investment operations:							
Interest	—	—	—	—	—	—	—
Dividends from underlying funds	2,219,135	3,623,302	2,556,080	2,702,670	2,431,295	1,073,096	1,047,426
Realized gain distributions from underlying funds	81,702	131,314	90,211	88,188	73,566	30,994	27,112
Net unrealized appreciation on underlying fund shares	—	—	—	—	—	—	419,106
Net increase from investment operations	2,300,837	3,754,616	2,646,291	2,790,858	2,504,861	1,104,090	1,493,644
TOTAL ADDITIONS	\$ 36,620,439	\$ 57,511,299	\$ 58,144,028	\$ 66,569,835	\$ 64,427,917	\$ 50,461,941	\$ 45,750,640
DEDUCTIONS							
Redemptions	\$ 31,829,990	\$ 47,633,910	\$ 56,895,081	\$ 56,687,318	\$ 51,850,035	\$ 43,693,669	\$ 43,282,359
Expenses:							
Direct Plan manager fee	82,125	134,772	94,567	101,034	93,065	40,333	39,718
Administrative fee	8,213	13,477	9,457	10,103	9,306	4,033	3,972
Total expenses	90,338	148,249	104,024	111,137	102,371	44,366	43,690
Net unrealized depreciation on underlying fund shares	1,132,623	2,442,645	1,514,288	830,093	589,493	212,473	—
Net realized loss on investments in underlying fund shares	2,179,602	563,849	1,684,975	378,750	471,389	210,922	296,457
TOTAL DEDUCTIONS	\$ 35,232,553	\$ 50,788,653	\$ 60,198,368	\$ 58,007,298	\$ 53,013,288	\$ 44,161,430	\$ 43,622,506
NET POSITION							
Net increase (decrease) in fiduciary net position	1,387,886	6,722,646	(2,054,340)	8,562,537	11,414,629	6,300,511	2,128,134
Beginning of year	78,921,508	130,956,235	93,904,333	97,817,745	86,228,895	39,043,250	38,120,055
End of year	\$ 80,309,394	\$ 137,678,881	\$ 91,849,993	\$ 106,380,282	\$ 97,643,524	\$ 45,343,761	\$ 40,248,189
UNITS							
Sold	3,041,989	4,859,370	5,029,946	5,865,433	5,660,850	4,534,762	4,079,912
Redeemed	(2,923,090)	(4,327,779)	(5,268,154)	(5,208,552)	(4,780,032)	(4,044,280)	(3,982,178)
NET INCREASE	118,899	531,591	(238,208)	656,881	880,818	490,482	97,734

	Ages 17	Ages 18 & Over	Total
\$	42,440,276	\$ 44,340,855	\$ 449,672,033
	37,469	368,714	406,183
	863,632	1,394,499	17,911,135
	22,519	35,551	581,157
	374,040	1,034,427	1,827,573
	1,297,660	2,833,191	20,726,048
\$	43,737,936	\$ 47,174,046	\$ 470,398,081

\$	40,278,271	\$ 34,438,310	\$ 406,588,943
	35,088	68,337	689,039
	3,509	6,834	68,904
	38,597	75,171	757,943
	—	—	6,721,615
	265,240	321,232	6,372,416
\$	40,582,108	\$ 34,834,713	\$ 420,440,917

	3,155,828	12,339,333	49,957,164
	34,248,365	70,042,604	669,282,990
\$	37,404,193	\$ 82,381,937	\$ 719,240,154

	3,889,802	4,120,138	41,082,202
	(3,710,552)	(3,165,063)	(37,409,680)
	179,250	955,075	3,672,522

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option	International Equity Index Option	Active Global Equity Option	U.S. Equity Index Option	High Equity Balanced Option
ADDITIONS						
Subscriptions	\$ 25,197,383	\$ 3,129,146	\$ 6,669,154	\$ 9,991,637	\$ 71,603,332	\$ 29,002,844
Increase from investment operations:						
Interest	—	—	—	—	—	—
Dividends from underlying funds	6,003,263	209,597	527,246	2,283,782	2,943,155	7,469,887
Realized gain distributions from underlying funds	235,986	—	—	—	345,381	1,226,229
Net unrealized appreciation on underlying fund shares	—	—	—	—	9,389,773	—
Net realized gain on investments in underlying fund shares	4,580,306	—	—	—	—	4,916,269
Net increase from investment operations	10,819,555	209,597	527,246	2,283,782	12,678,309	13,612,385
TOTAL ADDITIONS	\$ 36,016,938	\$ 3,338,743	\$ 7,196,400	\$ 12,275,419	\$ 84,281,641	\$ 42,615,229
DEDUCTIONS						
Redemptions	\$ 45,729,392	\$ 1,745,516	\$ 3,878,483	\$ 12,139,853	\$ 39,499,063	\$ 60,618,728
Expenses:						
Direct Plan manager fee	230,466	6,215	16,681	58,593	162,349	303,429
Administrative fee	23,047	621	1,668	5,859	16,235	30,343
Total expenses	253,513	6,836	18,349	64,452	178,584	333,772
Net unrealized depreciation on underlying fund shares	10,067,517	298,470	1,136,441	1,438,375	—	10,371,886
Net realized loss on investments in underlying fund shares	—	116,661	215,718	603,361	746,938	—
TOTAL DEDUCTIONS	\$ 56,050,422	\$ 2,167,483	\$ 5,248,991	\$ 14,246,041	\$ 40,424,585	\$ 71,324,386
NET POSITION						
Net increase (decrease) in fiduciary net position	(20,033,484)	1,171,260	1,947,409	(1,970,622)	43,857,056	(28,709,157)
Beginning of year	242,718,697	5,462,575	16,038,498	60,966,067	144,445,921	321,964,964
End of year	\$ 222,685,213	\$ 6,633,835	\$ 17,985,907	\$ 58,995,445	\$ 188,302,977	\$ 293,255,807
UNITS						
Sold	1,222,506	281,508	584,652	497,585	4,795,127	1,169,467
Redeemed	(2,225,694)	(163,027)	(343,153)	(615,852)	(2,634,812)	(2,451,071)
NET INCREASE (DECREASE)	(1,003,188)	118,481	241,499	(118,267)	2,160,315	(1,281,604)

Active Fixed-Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option	Total
\$ 17,228,073	\$ 12,714,390	\$ 15,757,426	\$ 52,103,660	\$ 143,072,602	\$ 386,469,647
—	—	—	—	7,006,501	7,006,501
1,694,397	3,002,730	749,724	731,209	—	25,614,990
252,616	—	—	—	—	2,060,212
762,813	1,901,987	1,823,915	—	—	13,878,488
—	—	—	—	—	9,496,575
2,709,826	4,904,717	2,573,639	731,209	7,006,501	58,056,766
\$ 19,937,899	\$ 17,619,107	\$ 18,331,065	\$ 52,834,869	\$ 150,079,103	\$ 444,526,413
\$ 13,057,599	\$ 11,010,432	\$ 6,120,128	\$ 31,029,106	\$ 101,204,412	\$ 326,032,712
54,627	60,869	30,054	57,433	—	980,716
5,463	6,087	3,005	5,744	—	98,072
60,090	66,956	33,059	63,177	—	1,078,788
—	—	—	—	—	23,312,689
170,283	354,349	19,312	—	—	2,226,622
\$ 13,287,972	\$ 11,431,737	\$ 6,172,499	\$ 31,092,283	\$ 101,204,412	\$ 352,650,811
6,649,927	6,187,370	12,158,566	21,742,586	48,874,691	91,875,602
52,197,795	58,610,862	25,338,508	51,761,725	304,204,168	1,283,709,780
\$ 58,847,722	\$ 64,798,232	\$ 37,497,074	\$ 73,504,311	\$ 353,078,859	\$ 1,375,585,382
973,646	487,186	1,188,319	4,923,182	8,627,741	24,750,919
(738,852)	(431,955)	(464,690)	(2,935,519)	(6,119,907)	(19,124,532)
234,794	55,231	723,629	1,987,663	2,507,834	5,626,387

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2020**

**Conservative Managed Allocation Option
Age Bands within the Conservative Managed Allocation Option**

	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR							
Net position value, beginning of year	\$ 10.96	\$ 10.93	\$ 10.87	\$ 10.79	\$ 10.74	\$ 10.66	\$ 10.59
Gain (loss) from investment operations:							
Net investment income ^(a)	0.30	0.30	0.29	0.30	0.30	0.28	0.27
Net realized and unrealized loss on investments	(0.11)	(0.09)	(0.04)	(0.03)	(0.03)	(0.01)	0.01
Total gain (loss) from investment operations	0.19	0.21	0.25	0.27	0.27	0.27	0.28
Net position value, end of year	\$ 11.15	\$ 11.14	\$ 11.12	\$ 11.06	\$ 11.01	\$ 10.93	\$ 10.87
TOTAL RETURN	1.73%	1.92%	2.30%	2.50%	2.51%	2.53%	2.64%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 11,365	\$ 22,038	\$ 13,774	\$ 14,930	\$ 17,654	\$ 10,222	\$ 14,544
Ratio of expenses to average net position ^(b)	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
Ratio of net investment income to average net position	2.69%	2.69%	2.67%	2.77%	2.78%	2.63%	2.49%

(a) Based on average units outstanding

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds

Age 17	Age 18 & Over
\$ 10.53	\$ 10.45
0.26	0.24
0.03	0.05
0.29	0.29
\$ 10.82	\$ 10.74

2.75%	2.78%
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\$ 16,462	\$ 42,488
0.11%	0.11%
2.40%	2.24%

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2020**

**Moderate Managed Allocation Option
Age Bands within the Moderate Managed Allocation Option**

	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR							
Net position value, beginning of year	\$ 11.17	\$ 11.08	\$ 10.99	\$ 10.93	\$ 10.86	\$ 10.82	\$ 10.78
Gain (loss) from investment operations:							
Net investment income ^(a)	0.30	0.30	0.30	0.29	0.29	0.29	0.28
Net realized and unrealized loss on investments	(0.30)	(0.20)	(0.16)	(0.06)	0.04	0.01	0.02
Total gain (loss) from investment operations	—	0.10	0.14	0.23	0.33	0.30	0.30
Net position value, end of year	\$ 11.17	\$ 11.18	\$ 11.13	\$ 11.16	\$ 11.19	\$ 11.12	\$ 11.08
TOTAL RETURN	0.00%	0.90%	1.27%	2.10%	3.04%	2.77%	2.78%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 49,069	\$113,329	\$ 95,493	\$127,058	\$175,741	\$ 97,779	\$108,046
Ratio of expenses to average net position ^(b)	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
Ratio of net investment income to average net position ^(d)	2.70%	2.66%	2.74%	2.63%	2.62%	2.64%	2.61%

(a) Based on average units outstanding

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds

Age 17	Age 18 & Over
\$ 10.72	\$ 10.61
0.28 (0.01)	0.26 (0.03)
0.27	0.23
\$ 10.99	\$ 10.84

2.52%	2.17%
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\$116,325	\$356,882
0.11%	0.11%
2.60%	2.46%

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 FINANCIAL HIGHLIGHTS
 FOR THE YEAR ENDED JUNE 30, 2020

Aggressive Managed Allocation Option
Age Bands within the Aggressive Managed Allocation Option

	Ages 0-4	Ages 5-8	Ages 9-10	Ages 11-12	Ages 13-14	Age 15	Age 16
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR							
Net position value, beginning of year	\$ 11.23	\$ 11.19	\$ 11.16	\$ 11.10	\$ 11.04	\$ 10.98	\$ 10.93
Gain (loss) from investment operations:							
Net investment income ^(a)	0.29	0.29	0.29	0.29	0.28	0.28	0.28
Net realized and unrealized loss on investments	(0.28)	(0.23)	(0.21)	(0.16)	(0.09)	(0.05)	0.01
Total gain (loss) from investment operations	0.01	0.06	0.08	0.13	0.19	0.23	0.29
Net position value, end of year	\$ 11.24	\$ 11.25	\$ 11.24	\$ 11.23	\$ 11.23	\$ 11.21	\$ 11.22
TOTAL RETURN	0.09%	0.54%	0.72%	1.17%	1.72%	2.09%	2.65%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 80,309	\$137,679	\$ 91,850	\$106,380	\$ 97,644	\$ 45,344	\$ 40,248
Ratio of expenses to average net position ^(b)	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%
Ratio of net investment income to average net position	2.59%	2.58%	2.59%	2.57%	2.50%	2.55%	2.53%

(a) Based on average units outstanding

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds

Age 17	Age 18 & Over
\$ 10.88	\$ 10.75
0.27	0.27
0.09	0.01
0.36	0.28
\$ 11.24	\$ 11.03
3.31%	2.60%

\$ 37,404	\$ 82,382
0.11%	0.11%
2.46%	2.47%

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2020**

Multi-Fund Investment Options

	Global Equity Index Option	Global Tactical Asset Allocation Option	International Equity Index Option	Active Global Equity Option	U.S. Equity Index Option	High Equity Balanced Option
FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR						
Net position value, beginning of year	\$ 20.74	\$ 11.23	\$ 11.78	\$ 20.36	\$ 15.07	\$ 24.82
Gain (loss) from investment operations:						
Net investment income(a)	0.51	0.36	0.35	0.76	0.26	0.58
Net realized and unrealized loss on investments	(0.44)	(0.63)	(0.91)	(0.61)	0.70	(0.31)
Total gain (loss) from investment operations	0.07	(0.27)	(0.56)	0.15	0.96	0.27
Net position value, end of year	\$ 20.81	\$ 10.96	\$ 11.22	\$ 20.51	\$ 16.03	\$ 25.09
 TOTAL RETURN	 0.34%	 (2.40)%	 (4.75)%	 0.74%	 6.37%	 1.09%
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ 222,685	\$ 6,634	\$ 17,986	\$ 58,995	\$ 188,303	\$ 293,256
Ratio of expenses to average net position ^(b)	0.11%	0.11 %	0.11 %	0.11%	0.11%	0.11%
Ratio of net investment income to average net position	2.49%	3.26 %	3.05 %	3.79%	1.70%	2.35%

(a) Based on average units outstanding

(b) Does not include expenses on Direct Plan investments in the TIAA-CREF Funds and other third party mutual funds

Active Fixed- Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option
\$ 17.41	\$ 25.31	\$ 12.72	\$ 10.48	\$ 16.35
0.53	1.26	0.32	0.12	0.37
0.27	0.76	0.77	0.01	0.01
0.80	2.02	1.09	0.13	0.38
\$ 18.21	\$ 27.33	\$ 13.81	\$ 10.61	\$ 16.73
4.54%	7.98%	8.57%	1.24%	2.26%

\$ 58,848	\$ 64,798	\$ 37,497	\$ 73,504	\$ 353,079
0.11%	0.11%	0.11%	0.11%	—%
2.99%	4.82%	2.38%	1.16%	2.23%



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Trustee of the Connecticut Higher Education Trust - Direct Plan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Connecticut Higher Education Trust - Direct Plan, which comprise the statement of fiduciary net position as of June 30, 2020, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Connecticut Higher Education Trust - Direct Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.



However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PricewaterhouseCoopers LLP

Baltimore, Maryland
August 26, 2020