

CONNECTICUT HIGHER EDUCATION TRUST

DIRECT PLAN

Financial Statements

Including

Supplemental Information

June 30, 2019



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June 30, 2019

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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, 2019, 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, 2019, 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 5 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 September 12, 2019 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

Charlotte, North Carolina
September 12, 2019

**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, 2019. 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, 2019, 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	6.10%	Ages 0-4	5.94%
Ages 5-8	6.12	Ages 5-8	5.87
Ages 9-10	5.95	Ages 9-10	5.88
Ages 11-12	5.89	Ages 11-12	5.92
Ages 13-14	5.60	Ages 13-14	5.95
Ages 15	5.02	Ages 15	5.88
Ages 16	4.33	Ages 16	6.01
Ages 17	3.95	Ages 17	5.94
Ages 18 & Over	3.06	Ages 18 & Over	4.88
 <u>Moderate Managed Allocation Option</u>		 <u>Multi-Fund Investment Options</u>	
Ages 0-4	6.18%	Global Equity Index Option	4.54%
Ages 5-8	6.13	Global Tactical Asset Allocation Option	4.37
Ages 9-10	6.18	International Equity Index Option	1.38
Ages 11-12	6.12	Active Global Equity Option	3.61
Ages 13-14	6.05	U.S. Equity Index Option	8.81
Ages 15	5.97	High Equity Balanced Option	5.48
Ages 16	5.79	Active Fixed-Income Option	6.87
Ages 17	5.20	Social Choice Option	8.81
Ages 18 & Over	4.22	Index Fixed-Income Option	7.61
		Money Market Option	1.95
		Principal Plus Interest Option	2.06

The Direct Plan received \$75.6 million in net subscriptions from Account Owners during the year ended June 30, 2019.

The Direct Plan earned \$81.6 million from investment income, incurred \$3.6 million for operating expenses and had a net increase in fair value of investments of \$88.4 million during the year ended June 30, 2019.

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, 2019. 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, 2019 and 2018:

	2019	2018
Investments	\$ 3,347,779,228	\$ 3,104,651,513
Cash	4,523	80,192
Receivables	6,051,982	6,057,017
Total Assets	3,353,835,733	3,110,788,722
Payables	8,100,119	7,042,520
Total Liabilities	8,100,119	7,042,520
Total Net Position	\$ 3,345,735,614	\$ 3,103,746,202

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, 2019 and 2018:

	2019	2018
Additions:		
Subscriptions	\$ 1,544,821,170	\$ 3,152,095,014
Investment income	81,592,081	71,533,382
Net increase in fair value of investments	88,386,170	89,978,934
Total Additions	1,714,799,421	3,313,607,330
Deductions:		
Redemptions	(1,469,255,804)	(3,049,657,521)
Direct Plan manager fee	(3,270,391)	(3,254,307)
Administrative fee	(283,814)	(271,192)
Total Deductions	(1,472,810,009)	(3,053,183,020)
Changes in Net Position	241,989,412	260,424,310
Net position - beginning of year	3,103,746,202	2,843,321,892
Net position - end of year	\$ 3,345,735,614	\$ 3,103,746,202

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

ASSETS

Cash	\$	4,523
Investments, at value (Cost: \$3,054,620,833)		3,347,779,228
Dividends and interest receivable		3,421,138
Receivable from securities transactions		546,346
Receivable from Direct Plan units sold		2,084,498
TOTAL ASSETS		<u>3,353,835,733</u>

LIABILITIES

Overdraft payable		285
Accrued Direct Plan manager fee		1,879,421
Accrued administrative fee		167,907
Payable for securities transactions		4,381,664
Payable for Direct Plan units redeemed		1,670,842
TOTAL LIABILITIES		<u>8,100,119</u>

NET POSITION

Held in trust for Account Owners in the Direct Plan	\$	<u>3,345,735,614</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, 2019**

ADDITIONS

Subscriptions	\$	1,544,821,170
Investment income:		
Interest		9,908,389
Dividends		71,683,692
Total investment income		<u>81,592,081</u>
Net increase in fair value of investments		<u>88,386,170</u>
Total additions		<u>1,714,799,421</u>

DEDUCTIONS

Redemptions		(1,469,255,804)
Direct Plan manager fee		(3,270,391)
Administrative fee		(283,814)
Total deductions		<u>(1,472,810,009)</u>
Changes in net position		241,989,412
Net position – beginning of year		<u>3,103,746,202</u>
Net position – end of year	\$	<u>3,345,735,614</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 higher education. 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 are 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.

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.

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)

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

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. The Direct Plan manager fees applies to the total market value of assets in the Direct Plan equal to or greater than \$3.25 billion. As of June 30, 2019, the total market value of assets in the Direct Plan was \$3.34 billion and as such the Direct Plan manager fee is 0.10%. The Direct Plan first exceeded \$3.25 billion on April 5, 2019. Prior to April 5, 2019, each Option (with the exception of the Principal Plus Interest Option) paid the Direct Plan manager fee at an annual rate of 0.12% of the average daily net assets held by that Option. 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, 2019 were covered by federal depository insurance coverage.

Investments: As of June 30, 2019, net unrealized appreciation (depreciation) of portfolio investments was \$293,158,395 consisting of gross unrealized appreciation of \$301,317,523 and gross unrealized depreciation of \$8,159,128.

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

At June 30, 2019, 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	29,430,865	\$ 316,917,616	\$ 323,747,416
Emerging Markets Equity Index Fund	2,739,346	26,801,381	30,351,950
Equity Index Fund	32,102,489	540,891,736	693,092,736
Growth & Income Fund	968,991	11,408,001	14,030,261
High-Yield Fund	11,578,413	112,819,447	112,907,514
Inflation-Linked Bond Fund	21,910,379	248,616,341	251,531,155
International Equity Index Fund	26,822,559	483,163,079	517,943,610
Money Market Fund	51,795,029	51,795,029	51,795,029
S&P 500 Index Fund	3,030,434	36,016,022	98,822,445
Social Choice Equity Fund	2,995,406	44,502,640	58,650,059
BlackRock Strategic Income Opportunities Fund (Institutional Class)	23,546,206	233,192,527	233,601,529
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	5,278,850	108,954,227	110,522,788
DFA World ex U.S. Core Equity Portfolio (Institutional Class)	1,088,963	11,816,454	12,054,815
Harding Loevner International Equity Portfolio (Institutional Class)	766,743	17,769,452	17,259,382
MetWest Total Return Bond Fund (Institutional Class)	2,487,533	24,886,249	25,522,091
PIMCO All Asset Fund (Institutional Class)	466,413	5,335,183	5,466,363
State Street Institutional Small Cap Equity Fund (Institutional Class)	1,104,793	20,642,604	19,046,634
T. Rowe Price Inst. Large-Cap Growth Fund (Institutional Class)	158,825	3,877,140	6,697,642
T. Rowe Price Inst. Large-Cap Value Fund (Institutional Class)	282,047	5,844,901	6,456,048
Templeton Global Bond Fund (Advisor Class)	3,855,197	46,115,097	43,255,307
Vanguard Mid Cap Index Fund (Institutional Class)	663,393	26,182,539	30,336,963
Vanguard Real Estate Index Fund (Institutional Class)	6,717,887	121,369,109	128,983,432
TIAA-CREF Life Insurance Company:			
Funding Agreements	270,100,213	555,704,059	555,704,059
		<u>\$ 3,054,620,833</u>	<u>\$ 3,347,779,228</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, 2019.

**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, 2019, 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	\$ 323,747,416	7.65 years
High-Yield Fund	112,907,514	6.55 years
Inflation-Linked Bond Fund	251,531,155	5.34 years
BlackRock Strategic Income Opportunities Fund (Institutional Class)	233,601,529	5.97 years
MetWest Total Return Bond Fund (Institutional Class)	25,522,091	7.55 years
PIMCO All Asset Fund (Institutional Class)	5,466,363	6.94 years
Templeton Global Bond Fund (Advisor Class)	43,255,307	1.20 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, 2019, 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	\$ 30,351,950
International Equity Index Fund	517,943,610
DFA Emerging Markets Core Equity Portfolio (Institutional Class)	110,522,788
DFA World ex U.S. Core Equity Fund (Institutional Class)	12,054,815
Harding Loevner International Equity Portfolio (Institutional Class)	17,259,382
PIMCO All Asset Fund (Institutional Class)	5,466,363
Templeton Global Bond Fund (Advisor Class)	43,255,307

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.

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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, 2019.

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2019

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	\$ 1,402,440	\$ 3,023,636	\$ 1,644,571	\$ 2,246,496	\$ 2,359,980	\$ 1,555,639	\$ 1,544,813
Equity Index Fund	2,623,223	4,294,335	1,730,118	1,503,841	1,426,161	698,863	748,148
High Yield Fund	891,392	1,654,282	794,080	920,976	1,025,756	651,896	566,051
Inflation-Linked Bond Fund	1,596,734	2,977,735	1,431,375	1,658,740	1,835,470	1,348,840	1,418,320
International Equity Index Fund	1,714,184	2,958,759	1,147,579	985,778	855,251	438,823	440,300
SUBTOTAL	8,227,973	14,908,747	6,747,723	7,315,831	7,502,618	4,694,061	4,717,632
BlackRock Strategic Income Opportunities Fund	1,402,684	2,805,709	1,443,163	1,784,085	2,104,591	1,357,047	1,104,862
DFA Emerging Markets Core Equity Portfolio	515,646	760,240	276,198	210,476	233,944	169,530	213,537
Templeton Global Bond Fund	104,770	195,785	281,982	543,357	724,035	355,247	321,483
Vanguard Real Estate Index Fund	929,367	1,514,424	621,486	603,319	538,289	295,195	232,101
SUBTOTAL	2,952,467	5,276,158	2,622,829	3,141,237	3,600,859	2,177,019	1,871,983
TIAA-CREF Life Insurance Company:							
Funding Agreements	—	390,643	469,450	868,650	1,446,731	2,210,500	4,415,990
TOTAL INVESTMENTS	11,180,440	20,575,548	9,840,002	11,325,718	12,550,208	9,081,580	11,005,605
Dividends and interest receivable	15,538	29,126	14,077	18,698	21,463	15,674	18,407
Receivable from Direct Plan units sold	10,928	8,785	5,845	8,390	7,328	1,385	1,165
TOTAL ASSETS	11,206,906	20,613,459	9,859,924	11,352,806	12,578,999	9,098,639	11,025,177
LIABILITIES							
Accrued Direct Plan manager fee	7,009	12,440	5,454	7,022	8,118	5,535	5,910
Accrued administrative fee	627	1,113	489	630	725	495	533
Payable for securities transactions	26,466	37,911	19,922	27,087	28,791	17,059	19,572
Payable for Direct Plan units redeemed	—	—	—	—	—	—	—
TOTAL LIABILITIES	34,102	51,464	25,865	34,739	37,634	23,089	26,015
NET POSITION	\$ 11,172,804	\$ 20,561,995	\$ 9,834,059	\$ 11,318,067	\$ 12,541,365	\$ 9,075,550	\$10,999,162
UNITS OUTSTANDING	1,019,074	1,881,429	904,928	1,048,552	1,167,390	851,550	1,038,787
NET POSITION VALUE PER UNIT	\$ 10.96	\$ 10.93	\$ 10.87	\$ 10.79	\$ 10.74	\$ 10.66	\$ 10.59
INVESTMENTS AT COST	\$ 10,616,399	\$ 19,863,882	\$ 9,533,383	\$ 11,030,698	\$ 12,248,636	\$ 8,925,794	\$10,839,668

	Age 17	Age 18 & Over	Total
\$	1,353,002	\$ 2,666,476	\$ 17,797,053
	509,635	731,020	14,265,344
	464,223	1,019,250	7,987,906
	1,443,977	2,626,313	16,337,504
	329,542	324,743	9,194,959
	4,100,379	7,367,802	65,582,766
	1,005,810	1,322,660	14,330,611
	105,017	—	2,484,588
	327,479	—	2,854,138
	123,059	354,894	5,212,134
	1,561,365	1,677,554	24,881,471
	5,455,486	23,594,960	38,852,410
	11,117,230	32,640,316	129,316,647
	18,167	51,680	202,830
	1,837	60,356	106,019
	11,137,234	32,752,352	129,625,496
	7,182	17,672	76,342
	639	1,587	6,838
	20,004	77,143	273,955
	—	34,893	34,893
	27,825	131,295	392,028
\$	11,109,409	\$ 32,621,057	\$ 129,233,468
	1,055,182	3,120,639	
\$	10.53	\$ 10.45	
\$	10,972,951	\$ 32,381,791	\$ 126,413,202

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2019**

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	\$ 1,920,725	\$ 11,419,300	\$ 13,165,008	\$ 22,749,115	\$ 41,448,110	\$ 25,025,481	\$ 25,853,484
Equity Index Fund	18,102,339	36,213,949	24,540,360	31,373,470	32,060,314	16,239,351	15,598,587
High Yield Fund	2,490,961	6,023,562	4,875,574	6,931,897	8,916,040	5,168,417	6,958,128
Inflation-Linked Bond Fund	947,775	9,183,880	9,294,311	19,804,371	25,550,708	14,786,433	16,646,703
International Equity Index Fund	12,457,539	26,239,609	15,802,057	19,784,862	20,411,565	9,847,975	9,993,241
SUBTOTAL	35,919,339	89,080,300	67,677,310	100,643,715	128,386,737	71,067,657	75,050,143
BlackRock Strategic Income Opportunities Fund	5,290,526	12,816,118	11,331,681	17,423,280	22,471,735	12,996,634	14,644,445
DFA Emerging Markets Core Equity Portfolio	3,634,482	7,725,005	5,353,093	6,319,390	6,544,027	3,777,987	3,215,680
Templeton Global Bond Fund	—	—	4,587,445	3,908,224	5,047,734	2,916,940	3,291,157
Vanguard Real Estate Index Fund	6,265,289	12,592,581	9,151,815	10,133,047	11,137,722	6,496,106	5,996,094
SUBTOTAL	15,190,297	33,133,704	30,424,034	37,783,941	45,201,218	26,187,667	27,147,376
TIAA-CREF Life Insurance Company:							
Funding Agreements	—	—	—	—	3,369,620	4,861,750	12,089,914
TOTAL INVESTMENTS	51,109,636	122,214,004	98,101,344	138,427,656	176,957,575	102,117,074	114,287,433
Cash	—	50	—	—	—	—	—
Dividends and interest receivable	57,632	146,508	124,584	182,821	254,937	160,253	173,479
Receivable from securities transactions	—	—	—	—	—	—	—
Receivable from Direct Plan units sold	37,278	67,286	39,883	51,634	82,139	35,202	28,408
TOTAL ASSETS	51,204,546	122,427,848	98,265,811	138,662,111	177,294,651	102,312,529	114,489,320
LIABILITIES							
Accrued Direct Plan manager fee	34,355	80,360	64,186	91,487	111,943	67,690	68,891
Accrued administrative fee	3,066	7,169	5,726	8,156	9,989	6,044	6,149
Payable for securities transactions	94,910	213,844	164,468	190,191	257,997	181,831	201,687
Payable for Direct Plan units redeemed	—	—	—	43,984	78,829	13,624	—
TOTAL LIABILITIES	132,331	301,373	234,380	333,818	458,758	269,189	276,727
NET POSITION	\$ 51,072,215	\$ 122,126,475	\$ 98,031,431	\$ 138,328,293	\$ 176,835,893	\$ 102,043,340	\$ 114,212,593
UNITS OUTSTANDING	4,573,767	11,022,754	8,921,494	12,659,458	16,282,246	9,427,840	10,597,133
NET POSITION VALUE PER UNIT	\$ 11.17	\$ 11.08	\$ 10.99	\$ 10.93	\$ 10.86	\$ 10.82	\$ 10.78
INVESTMENTS AT COST	\$ 47,682,395	\$ 116,113,877	\$ 94,219,109	\$ 133,432,878	\$ 171,726,639	\$ 99,273,773	\$ 111,885,417

	Age 17	Age 18 & Over	Total
\$	19,070,160	\$ 20,968,691	\$ 181,620,074
	13,053,745	27,479,676	214,661,791
	6,956,286	21,490,151	69,811,016
	16,594,934	51,674,936	164,484,051
	8,825,723	17,094,802	140,457,373
	64,500,848	138,708,256	771,034,305
	14,598,935	34,801,758	146,375,112
	2,125,465	6,576,686	45,271,815
	3,283,103	6,816,547	29,851,150
	4,832,488	11,202,130	77,807,272
	24,839,991	59,397,121	299,305,349
	24,050,170	149,660,239	194,031,693
	113,391,009	347,765,616	1,264,371,347
	—	1,701	1,751
	180,634	525,613	1,806,461
	817	403,513	404,330
	33,159	129,508	504,497
	113,605,619	348,825,951	1,267,088,386
	74,779	198,482	792,173
	6,670	17,758	70,727
	180,634	525,613	2,011,175
	33,976	534,522	704,935
	296,059	1,276,375	3,579,010
\$	113,309,560	\$ 347,549,576	\$ 1,263,509,376
	10,574,809	32,765,249	
\$	10.72	\$ 10.61	
	111,261,357	342,275,785	1,227,871,230

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2019

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	\$ 1,497,446	\$ 3,729,432	\$ 3,607,667	\$ 7,572,666	\$ 8,401,254	\$ 4,554,622	\$ 7,465,983
Equity Index Fund	32,302,128	51,213,487	34,611,219	31,822,746	24,720,398	10,348,513	8,397,341
High Yield Fund	3,087,637	5,129,065	3,707,698	3,885,841	4,306,081	2,344,263	2,299,562
Inflation-Linked Bond Fund	737,951	6,128,415	6,216,006	8,397,032	12,262,752	5,608,038	5,517,468
International Equity Index Fund	23,936,586	37,211,666	24,935,453	24,318,265	18,050,786	7,084,730	5,854,033
SUBTOTAL	61,561,748	103,412,065	73,078,043	75,996,550	67,741,271	29,940,166	29,534,387
BlackRock Strategic Income Opportunities Fund	4,477,141	8,694,336	7,181,122	9,419,678	9,193,870	5,294,152	5,206,532
DFA Emerging Markets Core Equity Portfolio	5,643,297	8,235,090	5,941,025	5,368,502	3,959,343	1,792,381	1,411,441
Templeton Global Bond Fund	—	—	—	—	—	—	—
Vanguard Real Estate Index Fund	7,294,545	10,704,806	7,767,762	7,095,429	5,389,752	2,043,211	1,992,251
SUBTOTAL	17,414,983	27,634,232	20,889,909	21,883,609	18,542,965	9,129,744	8,610,224
TIAA-CREF Life Insurance Company:							
Funding Agreements	—	—	—	—	—	—	—
TOTAL INVESTMENTS	78,976,731	131,046,297	93,967,952	97,880,159	86,284,236	39,069,910	38,144,611
Cash	—	50	—	—	—	—	—
Dividends and interest receivable	68,988	112,382	85,811	97,927	91,457	50,948	51,904
Receivable from securities transactions	—	—	—	—	—	—	6,608
Receivable from Direct Plan units sold	59,289	57,845	48,689	202,820	40,137	35,644	13,392
TOTAL ASSETS	79,105,008	131,216,574	94,102,452	98,180,906	86,415,830	39,156,502	38,216,515
LIABILITIES							
Accrued Direct Plan manager fee	50,690	82,679	58,585	57,375	50,799	24,469	22,541
Accrued administrative fee	4,533	7,383	5,234	5,139	4,542	2,191	2,015
Payable for securities transactions	126,739	130,932	134,195	300,647	130,430	69,194	51,903
Payable for Direct Plan units redeemed	1,538	39,345	105	—	1,164	17,398	20,001
TOTAL LIABILITIES	183,500	260,339	198,119	363,161	186,935	113,252	96,460
NET POSITION	\$ 78,921,508	\$ 130,956,235	\$ 93,904,333	\$ 97,817,745	\$ 86,228,895	\$ 39,043,250	\$ 38,120,055
UNITS OUTSTANDING	7,028,438	11,703,216	8,411,864	8,814,385	7,813,596	3,555,689	3,488,543
NET POSITION VALUE PER UNIT	\$ 11.23	\$ 11.19	\$ 11.16	\$ 11.10	\$ 11.04	\$ 10.98	\$ 10.93
INVESTMENTS AT COST	\$ 73,368,546	\$ 123,079,614	\$ 88,855,558	\$ 93,298,173	\$ 82,807,091	\$ 37,412,146	\$ 36,849,443

Age 17	Age 18 & Over	Total
\$ 8,456,555	\$ 9,789,241	\$ 55,074,866
6,741,229	10,782,635	210,939,696
1,384,918	2,855,218	29,000,283
4,665,667	8,269,753	57,803,082
4,279,893	7,509,142	153,180,554
25,528,262	39,205,989	505,998,481
4,703,227	8,332,894	62,502,952
952,409	1,976,017	35,279,505
—	1,362,634	1,362,634
1,445,257	2,231,013	45,964,026
7,100,893	13,902,558	145,109,117
1,640,810	16,974,978	18,615,788
34,269,965	70,083,525	669,723,386
—	—	50
47,221	97,077	703,715
23,338	48,936	78,882
20,883	38,759	517,458
34,361,407	70,268,297	671,023,491
19,827	37,552	404,517
1,773	3,369	36,179
47,221	97,077	1,088,338
44,221	87,695	211,467
113,042	225,693	1,740,501
\$ 34,248,365	\$ 70,042,604	\$ 669,282,990
3,147,318	6,513,392	
\$ 10.88	\$ 10.75	
33,127,306	68,169,673	636,967,550

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2019

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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 43,900,905
Emerging Markets Equity Index Fund	30,351,950	—	—	—	—	—
Equity Index Fund	108,690,695	—	—	—	144,535,210	—
Growth & Income Fund	—	—	—	14,030,261	—	—
High-Yield Fund	—	—	—	—	—	—
Inflation-Linked Bond Fund	—	—	—	—	—	7,767,706
International Equity Index Fund	103,843,358	—	16,048,895	—	—	95,218,471
Money Market Fund	—	—	—	—	—	—
S&P 500 Index Fund	—	—	—	—	—	98,822,445
Social Choice Equity Fund	—	—	—	—	—	—
SUBTOTAL	242,886,003	—	16,048,895	14,030,261	144,535,210	245,709,527
BlackRock Strategic Income Opportunities Fund	—	—	—	—	—	—
DFA Emerging Markets Core Equity Portfolio	—	—	—	—	—	27,486,880
DFA World ex U.S. Core Equity Portfolio	—	—	—	12,054,815	—	—
Harding Loevner International Equity Portfolio	—	—	—	17,259,382	—	—
MetWest Total Return Bond Fund	—	—	—	—	—	—
PIMCO All Asset Fund	—	5,466,363	—	—	—	—
State Street Institutional Small Cap Equity Fund	—	—	—	2,578,532	—	16,468,102
T. Rowe Price Inst. Large-Cap Growth Fund	—	—	—	6,697,642	—	—
T. Rowe Price Inst. Large-Cap Value Fund	—	—	—	6,456,048	—	—
Templeton Global Bond Fund	—	—	—	—	—	4,120,480
Vanguard Mid-Cap Index Fund	—	—	—	1,931,452	—	28,405,511
SUBTOTAL	—	5,466,363	—	46,977,871	—	76,480,973
TIAA-CREF Life Insurance Company:						
Funding Agreement	—	—	—	—	—	—
TOTAL INVESTMENTS	242,886,003	5,466,363	16,048,895	61,008,132	144,535,210	322,190,500
Cash	1	6	—	—	—	—
Dividends and interest receivable	—	—	—	161,688	—	268,289
Receivable from securities transactions	—	—	18,526	19,249	—	22,756
Receivable from Direct Plan units sold	61,308	4,804	7,560	15,349	153,212	94,917
TOTAL ASSETS	242,947,312	5,471,173	16,074,981	61,204,418	144,688,422	322,576,462
LIABILITIES						
Overdraft payable	—	—	—	285	—	—
Accrued Direct Plan manager fee	153,607	3,483	9,543	38,357	81,933	207,076
Accrued administrative fee	13,700	311	854	3,423	7,356	18,461
Payable for securities transactions	51,132	4,804	—	161,688	61,140	268,289
Payable for Direct Plan units redeemed	10,176	—	26,086	34,598	92,072	117,672
TOTAL LIABILITIES	228,615	8,598	36,483	238,351	242,501	611,498
NET POSITION	\$ 242,718,697	\$ 5,462,575	\$ 16,038,498	\$ 60,966,067	\$ 144,445,921	\$ 321,964,964
UNITS OUTSTANDING	11,702,484	486,549	1,361,586	2,994,224	9,585,413	12,970,237
NET POSITION VALUE PER UNIT	\$ 20.74	\$ 11.23	\$ 11.78	\$ 20.36	\$ 15.07	\$ 24.82
INVESTMENTS AT COST	\$ 158,452,839	\$ 5,335,183	\$ 15,268,833	\$ 55,172,460	\$ 119,169,498	\$ 233,648,777

Active Fixed- Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option	Total
\$ —	\$ —	\$ 25,354,518	\$ —	\$ —	\$ 69,255,423
—	—	—	—	—	30,351,950
—	—	—	—	—	253,225,905
—	—	—	—	—	14,030,261
6,108,309	—	—	—	—	6,108,309
5,138,812	—	—	—	—	12,906,518
—	—	—	—	—	215,110,724
—	—	—	51,795,029	—	51,795,029
—	—	—	—	—	98,822,445
—	58,650,059	—	—	—	58,650,059
11,247,121	58,650,059	25,354,518	51,795,029	—	810,256,623
10,392,854	—	—	—	—	10,392,854
—	—	—	—	—	27,486,880
—	—	—	—	—	12,054,815
—	—	—	—	—	17,259,382
25,522,091	—	—	—	—	25,522,091
—	—	—	—	—	5,466,363
—	—	—	—	—	19,046,634
—	—	—	—	—	6,697,642
—	—	—	—	—	6,456,048
5,066,905	—	—	—	—	9,187,385
—	—	—	—	—	30,336,963
40,981,850	—	—	—	—	169,907,057
—	—	—	—	304,204,168	304,204,168
52,228,971	58,650,059	25,354,518	51,795,029	304,204,168	1,284,367,848
2,685	30	—	—	—	2,722
125,152	—	56,911	96,092	—	708,132
—	—	2,603	—	—	63,134
64,958	89,524	11,697	67,712	385,483	956,524
52,421,766	58,739,613	25,425,729	51,958,833	304,589,651	1,286,098,360
—	—	—	—	—	285
31,080	36,051	14,693	30,566	—	606,389
2,782	3,221	1,317	2,738	—	54,163
148,630	76,197	56,911	109,977	69,428	1,008,196
41,479	13,282	14,300	53,827	316,055	719,547
223,971	128,751	87,221	197,108	385,483	2,388,580
\$ 52,197,795	\$ 58,610,862	\$ 25,338,508	\$ 51,761,725	\$ 304,204,168	\$ 1,283,709,780
2,997,237	2,315,552	1,992,173	4,937,583	18,600,322	
\$ 17.41	\$ 25.31	\$ 12.72	\$ 10.48	\$ 16.35	
\$ 51,272,456	\$ 44,502,640	\$ 24,546,968	\$ 51,795,029	\$ 304,204,168	\$ 1,063,368,851

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 4,697,833	\$ 7,275,915	\$ 6,958,664	\$ 7,539,038	\$ 9,346,765	\$ 9,964,522	\$ 12,846,165
Increase from investment operations:							
Interest	—	7,441	8,052	16,728	29,621	42,547	71,402
Dividends from underlying funds	312,842	555,314	238,787	317,962	365,410	214,734	164,135
Realized gain distributions from underlying funds	8,431	13,465	4,684	4,730	4,675	2,373	1,895
Net unrealized appreciation on underlying fund shares	482,054	688,003	319,471	350,981	397,565	228,811	209,742
Net increase from investment operations	803,327	1,264,223	570,994	690,401	797,271	488,465	447,174
TOTAL ADDITIONS	\$ 5,501,160	\$ 8,540,138	\$ 7,529,658	\$ 8,229,439	\$ 10,144,036	\$ 10,452,987	\$ 13,293,339
DEDUCTIONS							
Redemptions	\$ 3,916,796	\$ 4,859,908	\$ 4,895,395	\$ 5,879,809	\$ 9,002,262	\$ 9,051,118	\$ 10,062,795
Expenses:							
Direct Plan manager fee	12,011	21,348	9,226	11,894	14,079	9,659	9,826
Administrative fee	1,044	1,855	803	1,035	1,221	838	859
Total expenses	13,055	23,203	10,029	12,929	15,300	10,497	10,685
Net realized loss on investments in underlying fund shares	87,398	57,280	24,759	37,090	69,741	64,051	33,770
TOTAL DEDUCTIONS	\$ 4,017,249	\$ 4,940,391	\$ 4,930,183	\$ 5,929,828	\$ 9,087,303	\$ 9,125,666	\$ 10,107,250
NET POSITION							
Net increase in fiduciary net position	1,483,911	3,599,747	2,599,475	2,299,611	1,056,733	1,327,321	3,186,089
Beginning of year	9,688,893	16,962,248	7,234,584	9,018,456	11,484,632	7,748,229	7,813,073
End of year	\$ 11,172,804	\$ 20,561,995	\$ 9,834,059	\$ 11,318,067	\$ 12,541,365	\$ 9,075,550	\$ 10,999,162
UNITS							
Sold	454,970	700,438	668,381	728,277	904,261	963,779	1,246,992
Redeemed	(373,846)	(465,032)	(468,807)	(564,410)	(866,377)	(875,823)	(978,076)
NET INCREASE	81,124	235,406	199,574	163,867	37,884	87,956	268,916

Age 17	Age 18 & Over	Total
\$ 14,830,493	\$ 20,703,896	\$ 94,163,291
111,637	390,094	677,522
182,884	223,564	2,575,632
1,761	1,939	43,953
206,761	333,974	3,217,362
503,043	949,571	6,514,469
\$ 15,333,536	\$ 21,653,467	\$ 100,677,760

\$ 13,999,009	\$ 14,817,765	\$ 76,484,857
12,700	30,226	130,969
1,099	2,633	11,387
13,799	32,859	142,356
48,021	85,987	508,097
\$ 14,060,829	\$ 14,936,611	\$ 77,135,310

1,272,707	6,716,856	23,542,450
9,836,702	25,904,201	105,691,018
\$ 11,109,409	\$ 32,621,057	\$ 129,233,468

1,444,904	2,017,004	9,129,006
(1,360,521)	(1,451,431)	(7,404,323)
84,383	565,573	1,724,683

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 19,362,821	\$ 39,243,564	\$ 53,706,168	\$ 74,040,518	\$ 97,758,421	\$ 105,787,264	\$ 118,627,266
Increase from investment operations:							
Interest	—	—	—	—	68,428	103,199	232,550
Dividends from underlying funds	1,461,511	3,485,106	3,050,989	4,226,488	5,118,324	2,991,166	2,950,812
Realized gain distributions from underlying funds	63,858	126,842	86,093	111,187	108,998	56,033	50,615
Net unrealized appreciation on underlying fund shares	2,157,497	4,060,753	3,103,624	4,440,749	5,586,737	3,337,138	3,013,822
Net realized gain on investments in underlying fund shares	—	126,527	—	—	—	—	—
Net increase from investment operations	3,682,866	7,799,228	6,240,706	8,778,424	10,882,487	6,487,536	6,247,799
TOTAL ADDITIONS	\$ 23,045,687	\$ 47,042,792	\$ 59,946,874	\$ 82,818,942	\$ 108,640,908	\$ 112,274,800	\$ 124,875,065
DEDUCTIONS							
Redemptions	\$ 22,391,257	\$ 45,409,351	\$ 60,975,462	\$ 84,293,987	\$ 101,852,889	\$ 112,926,207	\$ 114,287,809
Expenses:							
Direct Plan manager fee	59,625	140,502	112,666	161,099	196,475	118,265	120,902
Administrative fee	5,172	12,181	9,766	13,956	17,033	10,259	10,483
Total expenses	64,797	152,683	122,432	175,055	213,508	128,524	131,385
Net realized loss on investments in underlying fund shares	178,378	—	198,252	253,353	549,580	141,096	261,131
TOTAL DEDUCTIONS	\$ 22,634,432	\$ 45,562,034	\$ 61,296,146	\$ 84,722,395	\$ 102,615,977	\$ 113,195,827	\$ 114,680,325
NET POSITION							
Net increase (decrease) in fiduciary net position	411,255	1,480,758	(1,349,272)	(1,903,453)	6,024,931	(921,027)	10,194,740
Beginning of year	50,660,960	120,645,717	99,380,703	140,231,746	170,810,962	102,964,367	104,017,853
End of year	51,072,215	122,126,475	98,031,431	138,328,293	176,835,893	102,043,340	114,212,593
UNITS							
Sold	1,860,381	3,736,988	5,099,752	7,076,030	9,377,099	10,181,719	11,414,672
Redeemed	(2,104,325)	(4,273,549)	(5,784,007)	(8,029,552)	(9,782,338)	(10,839,921)	(11,023,871)
NET INCREASE (DECREASE)	(243,944)	(536,561)	(684,255)	(953,522)	(405,239)	(658,202)	390,801

Ages 17	Ages 18 & Over	Total
\$ 119,858,745	\$ 148,198,197	\$ 776,582,964
506,782	2,682,411	3,593,370
2,876,867	5,557,993	31,719,256
45,934	81,095	730,655
2,753,144	6,536,077	34,989,541
—	—	126,527
6,182,727	14,857,576	71,159,349
\$ 126,041,472	\$ 163,055,773	\$ 847,742,313

\$ 126,318,978	\$ 135,591,600	\$ 804,047,540
131,665	347,405	1,388,604
11,410	30,169	120,429
143,075	377,574	1,509,033
241,476	2,171,572	3,994,838
\$ 126,703,529	\$ 138,140,746	\$ 809,551,411

(662,057)	24,915,027	38,190,902
113,971,617	322,634,549	1,225,318,474
113,309,560	347,549,576	1,263,509,376

11,580,156	14,347,772	74,674,569
(12,193,669)	(13,260,695)	(77,291,927)
(613,513)	1,087,077	(2,617,358)

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

**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	\$ 30,873,665	\$ 46,706,897	\$ 53,989,313	\$ 58,999,412	\$ 50,931,355	\$ 41,171,268	\$ 39,090,869
Increase from investment operations:							
Interest	—	—	—	—	—	—	—
Dividends from underlying funds	2,028,121	3,378,756	2,403,877	2,330,293	2,142,759	1,022,877	978,421
Realized gain distributions from underlying funds	107,434	171,137	113,538	94,657	76,675	32,380	25,764
Net unrealized appreciation on underlying fund shares	3,475,658	4,434,126	3,232,467	3,193,244	2,622,569	1,364,331	1,220,975
Net increase from investment operations	5,611,213	7,984,019	5,749,882	5,618,194	4,842,003	2,419,588	2,225,160
TOTAL ADDITIONS	<u>\$ 36,484,878</u>	<u>\$ 54,690,916</u>	<u>\$ 59,739,195</u>	<u>\$ 64,617,606</u>	<u>\$ 55,773,358</u>	<u>\$ 43,590,856</u>	<u>\$ 41,316,029</u>
DEDUCTIONS							
Redemptions	\$ 27,148,933	\$ 45,411,012	\$ 49,756,863	\$ 44,544,404	\$ 41,600,616	\$ 38,192,730	\$ 36,626,658
Expenses:							
Direct Plan manager fee	86,892	143,630	101,404	97,892	87,818	41,819	39,113
Administrative fee	7,550	12,463	8,802	8,514	7,626	3,637	3,396
Total expenses	94,442	156,093	110,206	106,406	95,444	45,456	42,509
Net realized loss on investments in underlying fund shares	484,087	295,200	252,602	55,106	179,460	56,527	78,783
TOTAL DEDUCTIONS	<u>\$ 27,727,462</u>	<u>\$ 45,862,305</u>	<u>\$ 50,119,671</u>	<u>\$ 44,705,916</u>	<u>\$ 41,875,520</u>	<u>\$ 38,294,713</u>	<u>\$ 36,747,950</u>
NET POSITION							
Net increase in fiduciary net position	8,757,416	8,828,611	9,619,524	19,911,690	13,897,838	5,296,143	4,568,079
Beginning of year	70,164,092	122,127,624	84,284,809	77,906,055	72,331,057	33,747,107	33,551,976
End of year	<u>\$ 78,921,508</u>	<u>\$ 130,956,235</u>	<u>\$ 93,904,333</u>	<u>\$ 97,817,745</u>	<u>\$ 86,228,895</u>	<u>\$ 39,043,250</u>	<u>\$ 38,120,055</u>
UNITS							
Sold	2,936,559	4,399,166	5,078,852	5,570,922	4,824,645	3,924,825	3,726,726
Redeemed	(2,528,178)	(4,252,850)	(4,664,629)	(4,191,179)	(3,951,698)	(3,621,901)	(3,493,675)
NET INCREASE	<u>408,381</u>	<u>146,316</u>	<u>414,223</u>	<u>1,379,743</u>	<u>872,947</u>	<u>302,924</u>	<u>233,051</u>

	Ages 17	Ages 18 & Over	Total
\$	37,231,303	\$ 36,938,835	\$ 395,932,917
	29,935	282,641	312,576
	805,079	1,261,119	16,351,302
	20,361	29,099	671,045
	1,138,330	1,902,934	22,584,634
	1,993,705	3,475,793	39,919,557
\$	39,225,008	\$ 40,414,628	\$ 435,852,474

\$	32,702,853	\$ 26,506,461	\$ 342,490,530
	34,215	64,460	697,243
	2,972	5,611	60,571
	37,187	70,071	757,814
	163,581	552,760	2,118,106
\$	32,903,621	\$ 27,129,292	\$ 345,366,450

	6,321,387	13,285,336	90,486,024
	27,926,978	56,757,268	578,796,966
\$	34,248,365	\$ 70,042,604	\$ 669,282,990

	3,559,077	3,557,068	37,577,840
	(3,131,066)	(2,581,464)	(32,416,640)
	428,011	975,604	5,161,200

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 24,323,445	\$ 1,615,988	\$ 5,658,497	\$ 9,546,982	\$ 50,060,994	\$ 32,017,739
Increase from investment operations:						
Interest	—	—	—	—	—	—
Dividends from underlying funds	5,536,418	224,400	415,861	1,108,021	2,068,146	7,469,378
Realized gain distributions from underlying funds	364,855	—	—	1,930,471	408,896	2,998,681
Net unrealized appreciation on underlying fund shares	3,332,874	22,307	149,815	—	9,149,509	—
Net realized gain on investments in underlying fund shares	1,775,636	—	—	—	—	8,686,395
Net increase from investment operations	11,009,783	246,707	565,676	3,038,492	11,626,551	19,154,454
TOTAL ADDITIONS	\$ 35,333,228	\$ 1,862,695	\$ 6,224,173	\$ 12,585,474	\$ 61,687,545	\$ 51,172,193
DEDUCTIONS						
Redemptions	\$ 33,979,473	\$ 1,151,220	\$ 3,163,107	\$ 9,779,033	\$ 15,958,721	\$ 57,414,557
Expenses:						
Direct Plan manager fee	269,018	5,973	16,230	66,863	136,784	364,668
Administrative fee	23,318	519	1,411	5,799	11,927	31,593
Total expenses	292,336	6,492	17,641	72,662	148,711	396,261
Net unrealized depreciation on underlying fund shares	—	—	—	177,241	—	1,804,982
Net realized loss on investments in underlying fund shares	—	235	131,131	588,987	15,415	—
TOTAL DEDUCTIONS	\$ 34,271,809	\$ 1,157,947	\$ 3,311,879	\$ 10,617,923	\$ 16,122,847	\$ 59,615,800
NET POSITION						
Net increase (decrease) in fiduciary net position	1,061,419	704,748	2,912,294	1,967,551	45,564,698	(8,443,607)
Beginning of year	241,657,278	4,757,827	13,126,204	58,998,516	98,881,223	330,408,571
End of year	\$ 242,718,697	\$ 5,462,575	\$ 16,038,498	\$ 60,966,067	\$ 144,445,921	\$ 321,964,964
UNITS						
Sold	1,256,465	150,821	513,578	498,811	3,581,103	1,367,064
Redeemed	(1,732,221)	(106,408)	(281,217)	(506,482)	(1,136,141)	(2,437,945)
NET INCREASE (DECREASE)	(475,756)	44,413	232,361	(7,671)	2,444,962	(1,070,881)

Active Fixed-Income Option	Social Choice Option	Index Fixed- Income Option	Money Market Option	Principal Plus Interest Option	Total
\$ 11,860,048	\$ 9,012,698	\$ 9,181,469	\$ 27,253,704	\$ 97,610,434	\$ 278,141,998
—	—	—	—	5,324,921	5,324,921
1,795,553	824,711	611,841	983,173	—	21,037,502
—	3,539,503	—	—	—	9,242,406
1,607,146	561,730	1,192,074	—	—	16,015,455
—	—	—	—	—	10,462,031
3,402,699	4,925,944	1,803,915	983,173	5,324,921	62,082,315
\$ 15,262,747	\$ 13,938,642	\$ 10,985,384	\$ 28,236,877	\$ 102,935,355	\$ 340,224,313
\$ 8,652,771	\$ 7,384,777	\$ 5,570,266	\$ 20,320,529	\$ 82,858,423	\$ 246,232,877
53,725	62,364	25,171	52,779	—	1,053,575
4,669	5,413	2,189	4,589	—	91,427
58,394	67,777	27,360	57,368	—	1,145,002
—	—	—	—	—	1,982,223
131,443	153,581	73,383	—	—	1,094,175
\$ 8,842,608	\$ 7,606,135	\$ 5,671,009	\$ 20,377,897	\$ 82,858,423	\$ 250,454,277
6,420,139	6,332,507	5,314,375	7,858,980	20,076,932	89,770,036
45,777,656	52,278,355	20,024,133	43,902,745	284,127,236	1,193,939,744
\$ 52,197,795	\$ 58,610,862	\$ 25,338,508	\$ 51,761,725	\$ 304,204,168	\$ 1,283,709,780
712,287	382,237	763,209	2,625,602	6,019,141	17,870,318
(523,698)	(314,534)	(464,820)	(1,960,718)	(5,119,593)	(14,583,777)
188,589	67,703	298,389	664,884	899,548	3,286,541

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2019**

**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	\$ 10.33	\$ 10.30	\$ 10.26	\$ 10.19	\$ 10.17	\$ 10.15	\$ 10.15
Gain (loss) from investment operations:							
Net investment income ^(a)	0.30	0.30	0.31	0.32	0.32	0.30	0.27
Net realized and unrealized loss on investments	0.33	0.33	0.30	0.28	0.25	0.21	0.17
Total gain (loss) from investment operations	0.63	0.63	0.61	0.60	0.57	0.51	0.44
Net position value, end of year	\$ 10.96	\$ 10.93	\$ 10.87	\$ 10.79	\$ 10.74	\$ 10.66	\$ 10.59
TOTAL RETURN	6.10%	6.12%	5.95%	5.89%	5.60%	5.02%	4.33%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 11,173	\$ 20,562	\$ 9,834	\$ 11,318	\$ 12,541	\$ 9,076	\$ 10,999
Ratio of expenses to average net position ^(b)	0.13%	0.13%	0.12%	0.12%	0.13%	0.13%	0.12%
Ratio of net investment income to average net position	2.87%	2.91%	2.95%	3.11%	3.11%	2.94%	2.62%

(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
\$ 10.13	\$ 10.14
0.26	0.23
0.14	0.08
0.40	0.31
\$ 10.53	\$ 10.45

3.95%	3.06%
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\$ 11,109	\$ 32,621
0.13%	0.12%
2.55%	2.21%

CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
 FINANCIAL HIGHLIGHTS
 FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 10.52	\$ 10.44	\$ 10.35	\$ 10.30	\$ 10.24	\$ 10.21	\$ 10.19
Gain (loss) from investment operations:							
Net investment income ^(a)	0.29	0.29	0.31	0.30	0.30	0.30	0.30
Net realized and unrealized loss on investments	0.36	0.35	0.33	0.33	0.32	0.31	0.29
Total gain (loss) from investment operations	0.65	0.64	0.64	0.63	0.62	0.61	0.59
Net position value, end of year	\$ 11.17	\$ 11.08	\$ 10.99	\$ 10.93	\$ 10.86	\$ 10.82	\$ 10.78
TOTAL RETURN	6.18%	6.13%	6.18%	6.12%	6.05%	5.97%	5.79%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 51,072	\$ 122,126	\$ 98,031	\$ 138,328	\$ 176,836	\$ 102,043	\$ 114,213
Ratio of expenses to average net position ^(b)	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Ratio of net investment income to average net position ^(d)	2.70%	2.74%	3.00%	2.90%	2.92%	2.89%	2.91%

(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
\$ 10.19	\$ 10.18
0.29	0.27
0.24	0.16
0.53	0.43
\$ 10.72	\$ 10.61
5.20%	4.22%

\$113,310	\$ 347,550
0.13%	0.13%
2.84%	2.61%

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2019**

**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	\$ 10.60	\$ 10.57	\$ 10.54	\$ 10.48	\$ 10.42	\$ 10.37	\$ 10.31
Gain (loss) from investment operations:							
Net investment income ^(a)	0.27	0.27	0.28	0.28	0.28	0.28	0.29
Net realized and unrealized loss on investments	0.36	0.35	0.34	0.34	0.34	0.33	0.33
Total gain (loss) from investment operations	0.63	0.62	0.62	0.62	0.62	0.61	0.62
Net position value, end of year	\$ 11.23	\$ 11.19	\$ 11.16	\$ 11.10	\$ 11.04	\$ 10.98	\$ 10.93
TOTAL RETURN	5.94%	5.87%	5.88%	5.92%	5.95%	5.88%	6.01%
RATIOS AND SUPPLEMENTAL DATA							
Net position at end of year (in thousands)	\$ 78,922	\$ 130,956	\$ 93,904	\$ 97,818	\$ 86,229	\$ 39,043	\$ 38,120
Ratio of expenses to average net position ^(b)	0.13%	0.13%	0.13%	0.12%	0.13%	0.12%	0.13%
Ratio of net investment income to average net position	2.56%	2.59%	2.61%	2.61%	2.68%	2.69%	2.76%

(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
\$ 10.27	\$ 10.25
0.28	0.27
0.33	0.23
0.61	0.50
\$ 10.88	\$ 10.75
5.94%	4.88%

\$ 34,248	\$ 70,043
0.13%	0.12%
2.68%	2.63%

**CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 19.84	\$ 10.76	\$ 11.62	\$ 19.65	\$ 13.85	\$ 23.53
Gain (loss) from investment operations:						
Net investment income(a)	0.44	0.45	0.32	0.35	0.23	0.53
Net realized and unrealized loss on investments	0.46	0.02	(0.16)	0.36	0.99	0.76
Total gain (loss) from investment operations	0.90	0.47	0.16	0.71	1.22	1.29
Net position value, end of year	\$ 20.74	\$ 11.23	\$ 11.78	\$ 20.36	\$ 15.07	\$ 24.82
 TOTAL RETURN	 4.54%	 4.37%	 1.38%	 3.61%	 8.81%	 5.48%
RATIOS AND SUPPLEMENTAL DATA						
Net position at end of year (in thousands)	\$ 242,719	\$ 5,463	\$ 16,038	\$ 60,966	\$ 144,446	\$ 321,965
Ratio of expenses to average net position ^(b)	0.13%	0.13%	0.12%	0.13%	0.12%	0.13%
Ratio of net investment income to average net position	2.25%	4.20%	2.82%	1.79%	1.61%	2.24%

(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
\$ 16.30	\$ 23.26	\$ 11.82	\$ 10.28	\$ 16.05
0.62	0.33	0.32	0.21	0.30
0.49	1.72	0.58	(0.01)	—
1.11	2.05	0.90	0.20	0.30
\$ 17.41	\$ 25.31	\$ 12.72	\$ 10.48	\$ 16.35
6.87%	8.81%	7.61%	1.95%	2.06%

\$ 52,198	\$ 58,611	\$ 25,339	\$ 51,762	\$ 304,204
0.13%	0.13%	0.12%	0.13%	—%
3.72%	1.40%	2.67%	2.02%	1.86%



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, 2019, 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 September 12, 2019.

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

Charlotte, North Carolina
September 12, 2019