

2020 Annual Report



Proudly Serving All Wisconsin Nonprofit Institutions



Wisconsin Health and Educational
Facilities Authority

A topographic map of Wisconsin, showing county boundaries and major water bodies. The map is light green and blue, with white lines for county borders and blue lines for rivers and lakes. The text is overlaid on the map.

Since its creation in 1973,

WHEFA has completed

905 financings totaling more than
\$29.3 billion, representing more than
\$15.5 billion in new money capital
projects & supporting more than
233,000 jobs in the Badger State.

EXECUTIVE DIRECTOR'S MESSAGE

21

FINANCINGS

JULY 1,
2019 –
JUNE
30,
2020

39
CITIES

19
BORROWERS

\$1.1 BILLION
FINANCED

“After 41 years, WHEFA continues to deliver access to capital at the lowest cost to the State’s nonprofit organizations. Most, if not all, of Wisconsin’s nonprofit acute care hospitals, senior care and educational facilities are impacted by the current pandemic and continued access to capital is vital to these important institutions in the short-and long-term.”

- Governor Tony Evers,
July 16, 2020

On behalf of the Members and staff of WHEFA, I am pleased to present this Annual Report of WHEFA activity for our fiscal year ending June 30, 2020 (FY2020).

One of the joys in preparing an annual report is that it gives us the opportunity to look back and highlight the many accomplishments from the past year. Indeed, this FY2020 Annual Report demonstrates once again all of the work we are doing on behalf of nonprofit organizations throughout Wisconsin.



However, this past year has brought challenges to our nonprofits unlike anything we have seen before. The pandemic, and the unknown of how long it will last, continues to produce uncertainty, stress, and trauma in our communities. As a direct result of COVID-19, financing activity at WHEFA slowed down considerably towards the end of FY2020 and has continued to be slow into our fiscal year ending June 30, 2021 (FY2021).

Looking Forward – FY2021 - While the nature of our contact with borrowers and financing professionals has changed and been restricted, and our normal routines have been temporarily hindered, nothing will dampen WHEFA’s dedication and spirit for serving as an **educator**, **resource**, and **advocate** for nonprofits during these difficult times.

New virtual **educational** opportunities will be offered during FY2021, and we will continue to **advocate** for restoring advance refundings and changing the bank qualified rules to increase the limit to \$30 million, index the bank qualified limit to inflation and identify the limit at the borrower level, rather than the issuer level.

Tax-exempt financing remains an important and effective financing tool for nonprofits. The ability to obtain and maintain access to capital at the lowest cost is vital to our nonprofits as they finance and refinance mission-critical projects. I encourage all organizations to call when contemplating a borrowing for a new project or refinancing. Whether WHEFA is part of the ultimate plan of finance or not, WHEFA is a great, no-cost **resource**.

In Closing - It is our pleasure to serve our nonprofit constituents and we look forward to continuing our mission. Enjoy our Annual Report, and please do not hesitate to call if we can be of assistance or simply answer a question.

Kindest regards,

A handwritten signature in black ink that reads "Dennis P. Reilly". The signature is written in a cursive, flowing style.

Dennis P. Reilly
Executive Director

ABOUT WHEFA

MISSION STATEMENT

The Wisconsin Health and Educational Facilities Authority (“WHEFA”) assists all eligible Wisconsin nonprofit institutions to obtain and maintain access to tax-exempt financing in order to finance or refinance their capital improvement and expansion needs.

VISION STATEMENT

WHEFA will fulfill its mission by providing prompt, user-friendly services including communication, education, and advocacy directed towards borrowers, lenders, government, the public, trade associations, and financing team participants.

WHEFA’s ability to be successful is dependent on effective Member leadership and a staff that can provide operational excellence. This success requires Members and staff to be well informed about the industries served and to stay abreast of financing needs and options. Regardless of whether or not WHEFA is involved in the ultimate issuance of bonds, WHEFA will be a resource to be used by Wisconsin nonprofit institutions when researching and evaluating various financing options.

HISTORY OF WHEFA

WHEFA, created by the Wisconsin Legislature in 1973 (Chapter 231, Wisconsin Statutes), has been providing active capital financing assistance to Wisconsin nonprofit health care institutions since 1979. Over the years, the Wisconsin legislature has expanded the types of nonprofit entities eligible for WHEFA financing assistance. In July 2013, WHEFA's charter was permanently expanded to permit all Wisconsin 501(c)(3) nonprofit organizations access to WHEFA's low-cost capital financing.

Funds for each project financed by WHEFA are obtained through the sale of revenue bonds of WHEFA. Bonds are sold to institutional lenders in "direct placement" transactions and to individual and institutional investors in "public offerings". Bond sale proceeds are loaned by WHEFA to the borrowing institution or project sponsor. No state or other public funds are used.

The credit supporting any WHEFA bond issue is the credit of the borrowing institution involved. The availability of financing and its terms and conditions depend in each case upon the credit-worthiness of each borrower. Interest paid on WHEFA bonds is exempt from federal income taxation, resulting in materially lower financing costs to the borrowing institution. Interest on certain bonds issued by WHEFA is also exempt from present Wisconsin income taxation.

WHEFA's bonds are payable solely out of loan repayments from the borrowing institution, sponsor or guarantor. They are not a debt, liability, or moral obligation of the State of Wisconsin or any of its political subdivisions, including WHEFA. WHEFA has no taxing power and receives no funds for its operations from the State.

ABOUT WHEFA

WHEFA MEMBERS

WHEFA consists of seven members, all of whom must be Wisconsin residents, appointed by the Governor of the State of Wisconsin by and with the consent of the Wisconsin State Senate. Members of WHEFA serve staggered seven-year terms and continue to serve until their successors are appointed. Current Members include:

James Dietsche, Chairperson

Chief Operating Officer/Chief Financial Officer, Bellin Health Systems, Inc., Green Bay, WI

Tim Size, Vice-Chairperson

Executive Director, Rural Wisconsin Health Cooperative, Sauk City, WI

Renee Anderson, Member

President/CEO, Saint John's Communities, Inc., Milwaukee, WI

Billie Jo Higgins, Member

Vice President Finance & Information Services, Evergreen Retirement Community, Oshkosh, WI

James Oppermann, Member

Former Senior Vice President – Finance and Management Services, Alverno College, Milwaukee, WI

Pamela Stanick, Member

Associate Vice President, Finance & Treasury, The Medical College of Wisconsin, Inc., Milwaukee, WI

Robert Van Meeteren, Member

President/CEO, Reedsburg Area Medical Center, Inc., Reedsburg, WI

WHEFA CONSULTANTS

Quarles & Brady LLP has been
General Counsel to WHEFA since 1979.

CliftonLarsonAllen LLP has been
Independent Auditors to WHEFA since 2019.

1979

WHEFA's
first financing

WHEFA STAFF

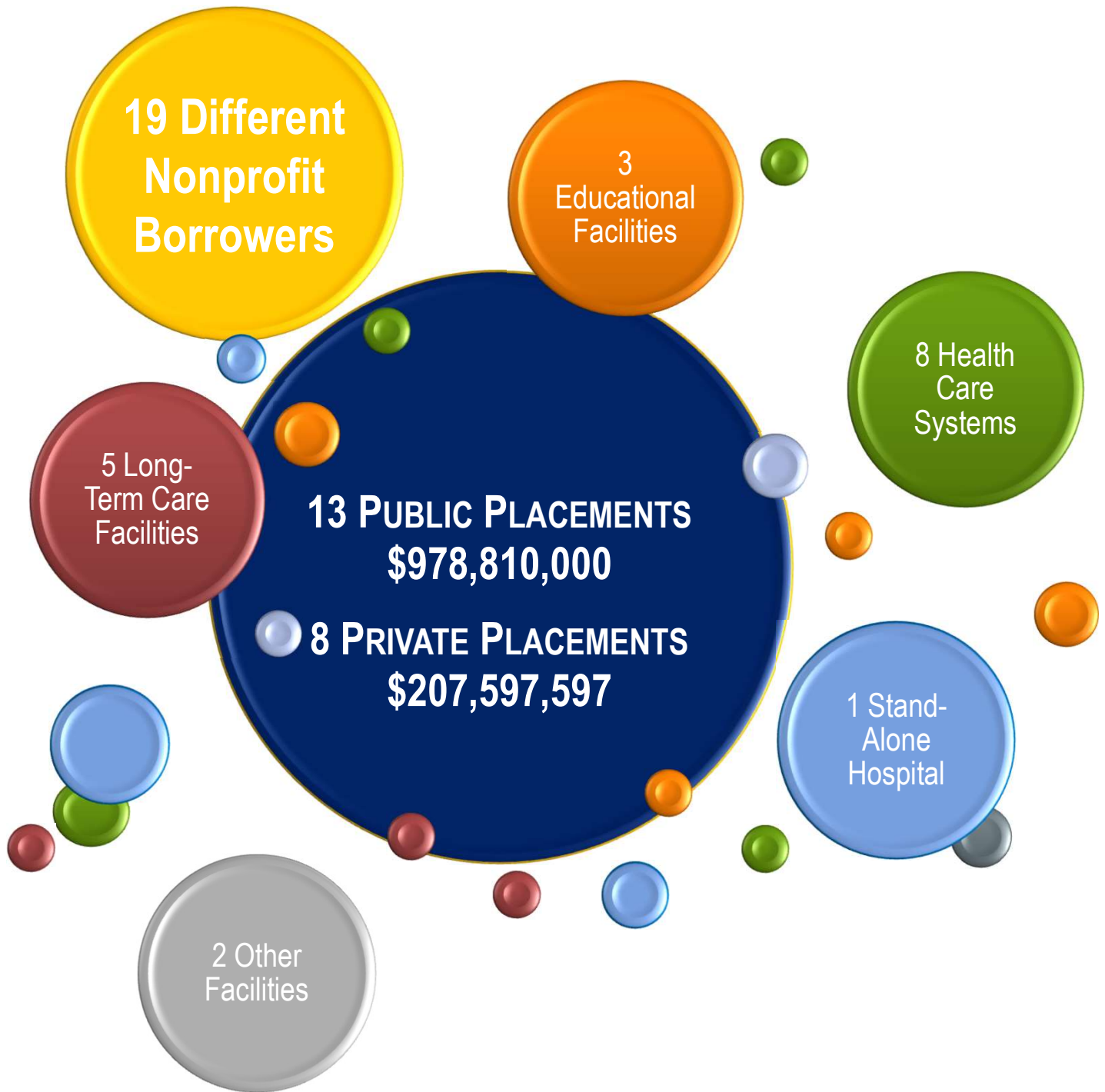
Dennis P. Reilly, Executive Director, has been a member of the staff for 24 years.

Tanya L. Coppersmith, Manager of Operations and Finance, has been a member of the staff for 33 years.

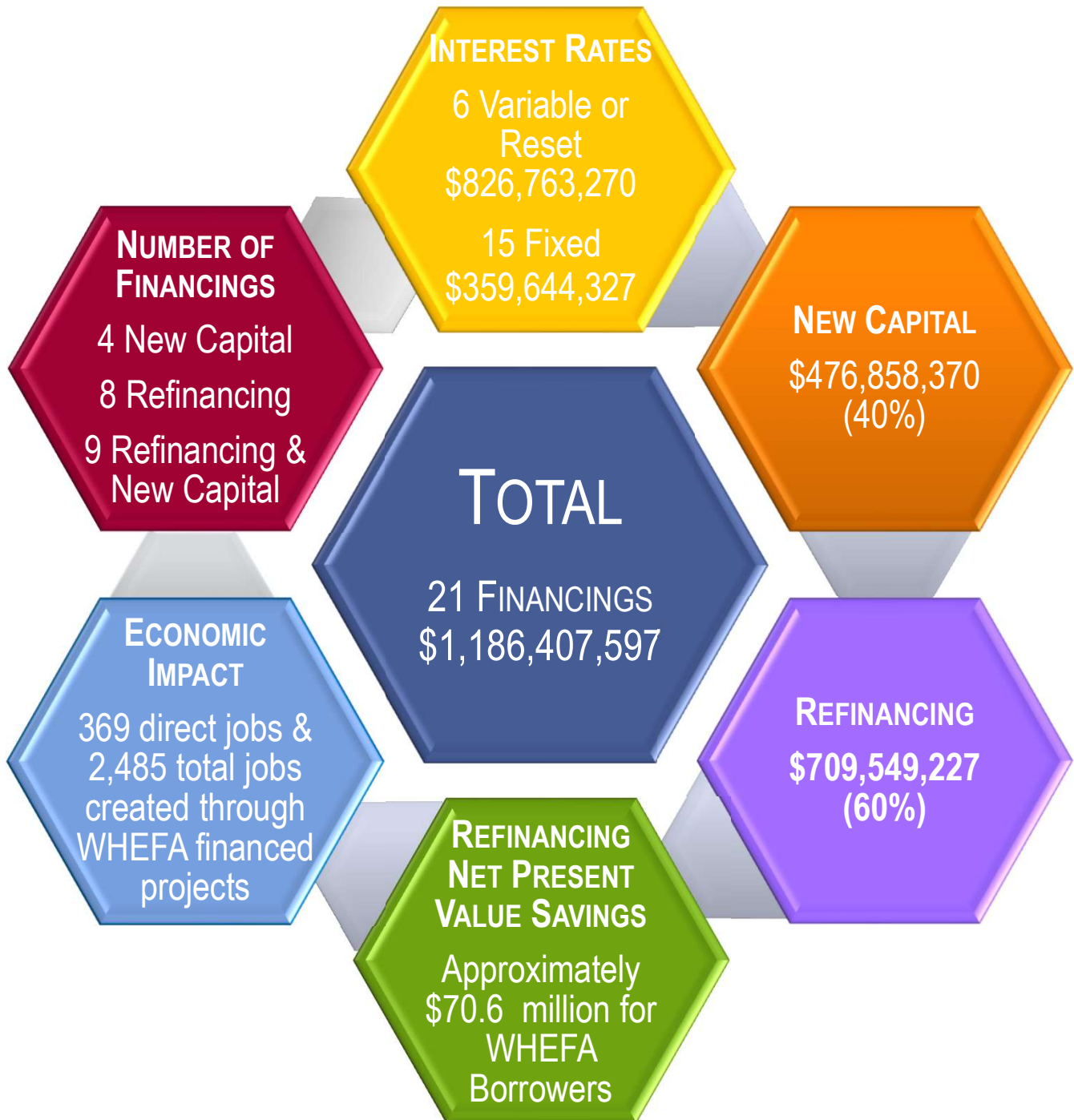
Tatiana M. Graver, Manager of Finance, has been a member of the staff for 8 years.

Stephanie L. Schirripa, Executive Assistant, has been a member of the staff for 18 years.

FINANCING HIGHLIGHTS



FISCAL YEAR 2020



EDUCATOR | RESOURCE | ADVOCATE

PROUDLY SERVING ALL WISCONSIN
NONPROFIT INSTITUTIONS

WIHEFA



Access to Tax-Exempt
Financing for
Capital Improvement &
Expansion Needs

Finance

Refinance

INDIVIDUAL FINANCINGS FOR FISCAL YEAR 2020

The logo for WHEFA is positioned behind the main title. It features the letters 'WHEFA' in a large, light blue, sans-serif font. To the right of the text is a light blue silhouette of the state of Wisconsin. A curved line sweeps across the bottom of the logo, starting from the left and ending under the state outline.

WHEFA PROUDLY ASSISTED THE FOLLOWING
NONPROFIT ORGANIZATIONS IN FINANCING AND
REFINANCING CRITICAL CAPITAL IMPROVEMENT
AND EXPANSION PROJECTS BY PROVIDING
ACCESS TO LOW-COST, TAX-EXEMPT
FINANCING.

Marquette University



Educational Facilities



Lawrence University

Marquette University

\$43,650,000

New Construction and Refinancing

October 22, 2019



**BE THE
DIFFERENCE.**

7 Jobs Created ▪ 568 Construction Jobs Created
▪ 2,479 FTEs ▪

"To help address the provider gap in primary care, Marquette University constructed a new facility for its nationally ranked Physician Assistant Studies program. The four story, \$18.5 million building, which opened to students in time for the fall 2019 semester, facilitates program growth to position it as one of the leading programs in the region and nation. President Michael R. Lovell said 'Through this expansion, we will graduate even more Jesuit-trained health care leaders each year, many of whom will go on to work in family and emergency medicine, or in underserved areas in Wisconsin and beyond.'"

**- Dennis Butler, Comptroller
Marquette University**

Hmong American Peace Academy

\$24,110,000

New Construction and Refinancing

February 13, 2020



▪ 25 Jobs Created ▪
100 Construction Jobs Created
▪ 20 FTEs ▪



Lawrence University of Wisconsin

\$14,850,000

Refinancing

March 11, 2020



LAWRENCE UNIVERSITY
APPLETON, WISCONSIN

▪ 520 FTEs ▪

"Thanks to efficient support from WHEFA, Lawrence refinanced its outstanding debt at a very opportune moment in the market. The new money portion will allow the University to complete updates to academic buildings that support new pedagogy. In addition, funds will be used to renew campus infrastructure in support of Lawrence's sustainability objectives. WHEFA financing has allowed us to meet our goals of educational quality and affordability."

**- Mark Burstein, President
Lawrence University of Wisconsin**

Clement Manor



Long-Term Care Facilities



Milwaukee Catholic Home

Clement Manor

\$16,650,000

New Construction, Renovation and
Refinancing

July 31, 2019



"The financing for Clement Manor ensures we meet the changes necessary to advance our vision of a "Life Enriched Community" for all those we serve having an exceptional experience of quality and well-being."

*15 Jobs Created ▪ 50 Construction Job Created
▪ 183 FTEs ▪*

**- Dennis Feger, Chief Executive Officer
Clement Manor, Inc.**

Milwaukee Catholic Home

\$11,760,000

Renovation and Refinancing

September 27, 2019



"Milwaukee Catholic Home continues to be a premier continuing care retirement community on Milwaukee's Eastside through prudent use of capital to upgrade its aging facilities. Access to tax-exempt financing is an important financing tool, and this financing has enabled us to improve our facilities with the goal of enhancing our family and resident experiences for many years to come."

1 Job Created ▪ 240 FTEs

**- David Fulcher, Chief Executive Officer
Milwaukee Catholic Home, Inc.**

SASC

\$6,490,000

Refinancing

December 30, 2019



"St Anne's has a 144-year history of serving the frail elderly in Milwaukee. Our partnership with WHEFA has afforded St Anne's with tax-exempt financing to enable us to offer a new version of care that is more affordable and desirable to those we serve and to expand the continuum of care so that commitment to care lasts forever."

▪ 33 FTEs ▪

**- Janet Krahn, Chief Executive Officer
St. Anne's Salvatorian Campus**

Marquardt Village



Long-Term Care Facilities



St. Camillus Health System

Marquardt Village

\$31,916,766

New Construction and Refinancing

September 30, 2019



3 Jobs Created ▪ 63 Construction Jobs Created

▪ 210 FTEs ▪

“We are thankful for the partnership with WHEFA to provide savings through the issuance of tax-exempt bonds, which allows the opportunity for Marquardt to obtain the funds necessary to expand our programs and services and to restructure our existing debt. As with our previous financing efforts, I appreciate the expertise and support provided by the WHEFA staff.”

**- Julie Marks, Chief Financial Officer
Marquardt Village, Inc.**

St. Camillus Health System

\$206,440,000

New Construction and Refinancing

November 27, 2019



30 Jobs Created ▪ 1,100 Construction Jobs Created

▪ 395 FTEs ▪

“By having access to tax exempt financing through WHEFA we are able to have affordable access to capital that enable nonprofits like St. Camillus to continue our Missions. This is extremely beneficial for institutions that operate in environments that have fixed or governmental funded revenues like Medicare and Medicaid. By having lower interest rates on our capital, we are able to employ more staff, pay our staff competitive wages and benefits, enable us to fund capital expenditures and repairs on our facilities as well as other items that enable us to stay competitive in an environment that experiences increased activity from for-profit providers that have the ability to raise capital by other means.”

**- Kevin Schwab, Chief Executive Officer
St. Camillus Health System, Inc.**

Milwaukee World Festival



Other Facilities



Milwaukee World Festival

\$15,713,816

Refinancing

August 1, 2019

MILWAUKEE WORLD FESTIVAL, INC.

43 FTE's ▪ 2,225 Seasonal Employees



"In partnership with WHEFA, Milwaukee World Festival, Inc. refinanced existing obligations as a component of the American Family Insurance Amphitheater Project (Phases 1 & 2) on the south end of Henry Maier Festival Park. These enhancements help fuel the continued success of Summerfest which annually contributes over \$226MM to Wisconsin's economy."

**- Sue Landry,
Vice President & Chief Financial Officer
Milwaukee World Festival, Inc.**

Goodwill Industries of North Central Wisconsin

\$20,108,270

Refinancing

December 20, 2019



▪ 920 FTE's in Wisconsin ▪

"The refinancing of the bonds has allowed us to further advance our mission of Elevating People by Eliminating Barriers to Employment within the 35 counties we serve in north central Wisconsin. The success of this process means providing more job training and opportunities within our communities and would not be possible without the support of our partners and board of directors."

**- Billie Jo Higgins, Vice President of Finance
Goodwill Industries of North Central Wisconsin**

Rogers Memorial Hospital



Health Care Systems



Marshfield Clinic Health System

Rogers Memorial Hospital

\$40,180,000

New Construction, Renovation and
Refinancing

August 28, 2019



156 Jobs Created ▪ *120 Construction Jobs Created*
▪ *1,903 FTEs in Wisconsin* ▪

"Having access to low-cost financing is critical in supporting our mission to provide highly effective mental health and addiction treatment services. Rogers Behavioral Health is grateful for WHEFA's financing assistance and to Governor Tony Evers and the state legislature for recognizing the importance of the state tax exemption. Through this financing option, we were able to efficiently fund our facility expansion projects, allowing Rogers to extend our life-saving care to serve more patients."

**- Arnold Stueber, Chief Financial Officer
Rogers Behavioral Health**

Marshfield Clinic Health System

\$ 52,700,000
\$282,745,000

Acquisition and Refinancing

September 30, 2019
June 30, 2020



**Marshfield Clinic
Health System**

▪ *9,500 FTEs in Wisconsin* ▪

"Marshfield Clinic Health System has been enriching lives to create healthy communities through accessible, affordable, compassionate health care for over 100 years. Our partnership with WHEFA has provided access to low-cost, tax-exempt financing which funds projects that allow Marshfield to enrich lives and create healthy communities for the next 100 years and beyond."

**-- Janette Townsend,
Director of Treasury and Chief Investment Officer
Marshfield Clinic Health System, Inc.**

Ascension



Health Care Systems



ThedaCare

Ascension

\$138,580,000

Refinancing

October 23, 2019



Ascension

“Ascension is extremely pleased with the outcome of the financing. The Authority’s efficient process ensured we stayed on track to secure tax-exempt financing at interest rates that will benefit our ministry for years to come.”

**- Elizabeth Foshage,
Executive Vice President and Chief Financial Officer
Ascension**

ThedaCare

\$140,790,000

New Construction and Refinancing

December 20, 2019



ThedaCare®

*75 Jobs Created ▪ 200 Construction Jobs Created
▪ 7,000 FTEs in Wisconsin ▪*

“As a local, not-for-profit healthcare system, ThedaCare continues to invest in our community and enhance the services we offer to continually meet the changing needs of patients. Strong financial performance and access to tax-exempt financing ensures our ability to advance our mission, and all revenue over expenses is reinvested back into the community for health care programs and services. In 2018 alone, we addressed unmet health needs by providing \$60M in unreimbursed services.”

**- Mark Thompson,
Chief Financial Officer / Chief Operating Officer
ThedaCare, Inc.**

Beloit Health System



Health Care Systems



Essentia Health

Beloit Health System

\$21,325,000

Refinancing

January 7, 2020



▪ 1,222 FTEs in Wisconsin ▪

“Continuing to maintain our tax-exempt status allows the Beloit Health System to continue to provide the best care for our community, today, tomorrow, for life.”

**- Scott Leckey, Chief Executive Officer
Beloit Health System, Inc.**

Essentia Health

\$13,095,000

Refinancing

February 18, 2020



Essentia Health

▪ 419 FTEs in Wisconsin ▪

“We are grateful for our partnership with the Wisconsin Health & Educational Facilities Authority in the refunding of our bonds resulting in a reduction of annual interest expense. The benefit of cost reductions like this help to keep the overall cost of healthcare down for our patients and communities.”

**- Traci J. Morris, Chief Financial Officer
Essentia Health**

Gundersen Health System



Health Care Systems



Aspirus Divine Savior Hospital & Clinics

Gundersen Health System

\$22,495,000

New Construction and Renovation

March 24, 2020

GUNDERSEN
HEALTH SYSTEM®

▪ 5,750 FTEs in Wisconsin ▪

“Once again, WHEFA was a great partner in helping Gundersen Health System access affordable capital to help us finance our growth.”

**- Don Brueggen, Treasury Director
Gundersen Health System, Inc.**

Aspirus

\$39,808,745

Refinancing

June 29, 2020



▪ 6,300 FTEs in Wisconsin ▪

“Divine Savior Healthcare, now Aspirus Divine Savior Hospital & Clinics, experienced another successful financing through WHEFA. This financing provides low cost tax-exempt funds that are necessary for our debt management efforts of keeping our financing costs as efficient as possible. Having access to this tax-exempt financing provides another element of expense reduction which allows Aspirus Divine Savior to continue its mission of providing healthcare services to its surrounding communities. WHEFA provides a critical solution to financing projects with tax-exempt bonds, and as I approach the end of my 29+ year career at Aspirus Divine Savior I want to acknowledge WHEFA and their staff for the expertise and professionalism they have provided over the years. It is truly appreciated!”

**- Pete Nelson, VP of Finance
Aspirus Divine Savior Hospital & Clinics**



Stand-Alone Hospital

Bellin Memorial Hospital

\$43,000,000

New Construction and Renovation

August 29, 2019

bellinhealth

"Bellin looks forward to bringing a first in the region model of high quality, family friendly neo-natal intensive care services. A significant portion of the proceeds from this financing will provide the community with a design focused on high quality and positive personal experience."

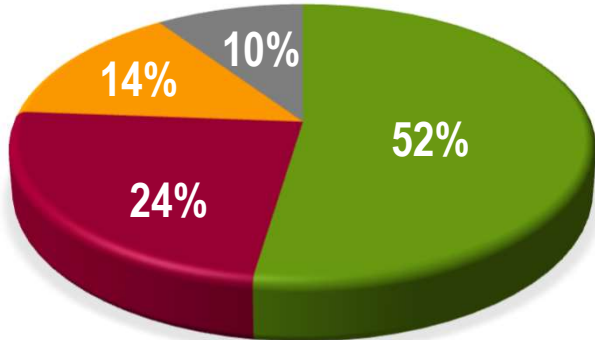
**- James Dietsche,
Chief Operating Officer and Chief Financial Officer
Bellin Health Systems, Inc.**

57 Jobs Created • 284 Construction Jobs Created • 3,146 FTEs

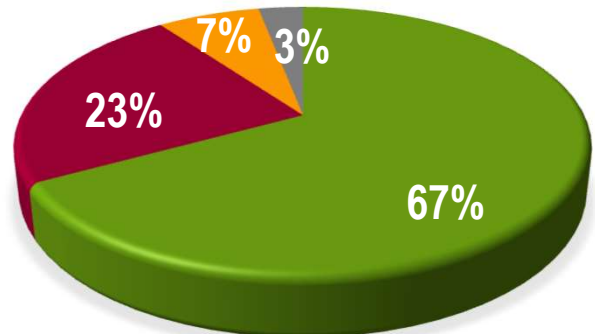
BORROWER TYPE

FISCAL YEAR 2020 ACTIVITY

NUMBER OF FINANCINGS



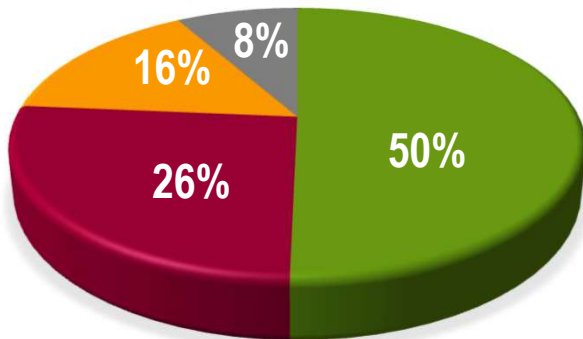
DOLLARS ISSUED



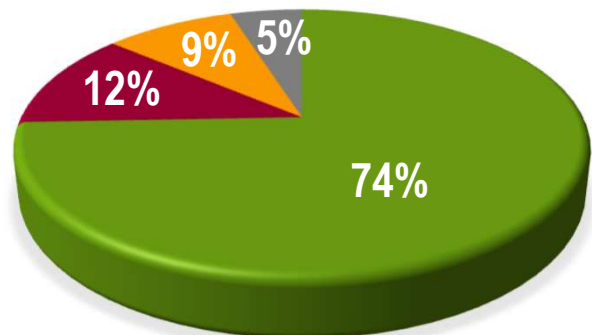
	<u>Acute Care</u>	<u>Long-Term Care</u>	<u>Education</u>	<u>Other</u>	<u>Total</u>
Total Activity - #	11	5	3	2	21
Total Activity - \$	\$794,718,745	\$273,256,766	\$82,610,000	\$35,822,086	\$1,186,407,597

TOTAL WHEFA ACTIVITY

NUMBER OF FINANCINGS



DOLLARS ISSUED

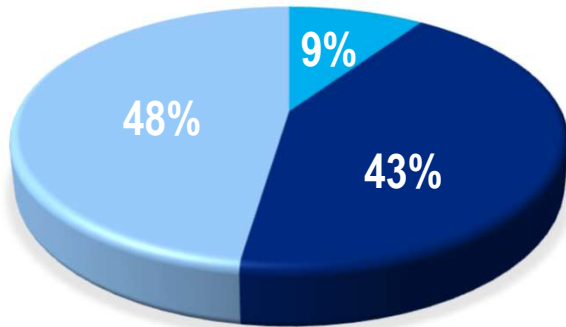


	<u>Acute Care</u>	<u>Long-Term Care</u>	<u>Education</u>	<u>Other</u>	<u>Total</u>
Total Activity - #	456	235	139	75	905
Total Activity - \$	\$21,770,725,654	\$3,595,705,174	\$2,593,633,416	\$1,417,745,239	\$29,377,809,483

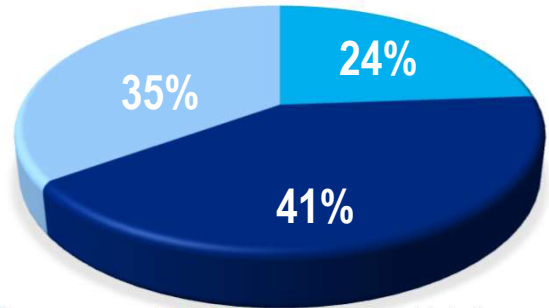
CREDIT STRUCTURE

FISCAL YEAR 2020 ACTIVITY

NUMBER OF ISSUES



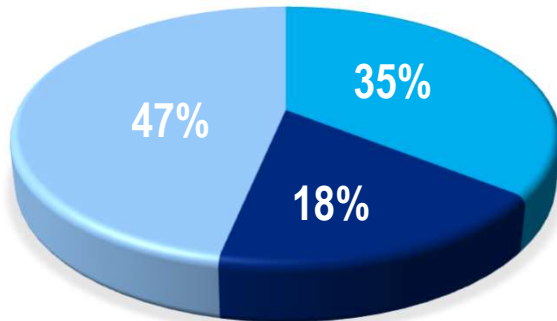
DOLLARS ISSUED



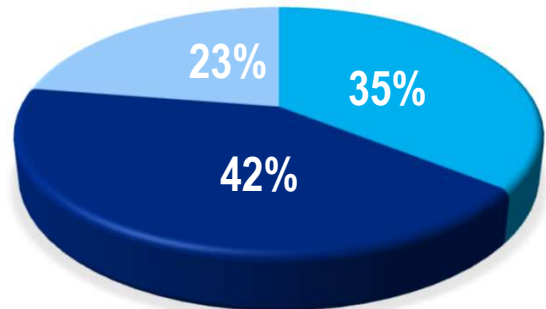
	<u>Unrated</u>	<u>Enhanced</u>	<u>Rated</u>	<u>Total</u>
Total Activity - #	10	2	9	21
Total Activity - \$	\$414,682,597	\$282,745,000	\$488,980,000	\$1,186,407,597

TOTAL WHEFA ACTIVITY

NUMBER OF FINANCINGS



DOLLARS ISSUED

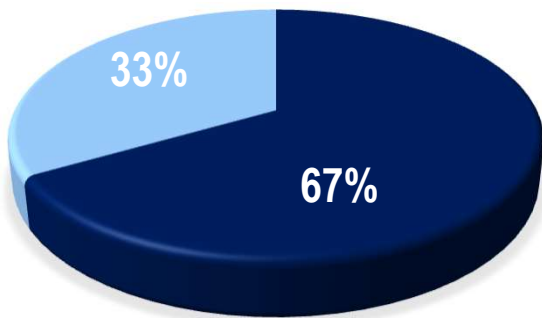


	<u>Unrated</u>	<u>Enhanced</u>	<u>Rated</u>	<u>Total</u>
Total Activity - #	423	317	165	905
Total Activity - \$	\$6,761,794,053	\$10,340,066,000	\$12,275,949,430	\$29,377,809,483

USE OF BOND PROCEEDS

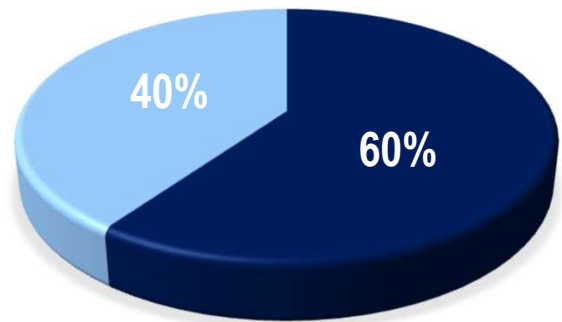
FISCAL YEAR 2020 ACTIVITY

NUMBER OF FINANCINGS



	<u>Refinancing</u>
Fiscal 2020 - #	14
Fiscal 2020 - \$	\$709,549,227

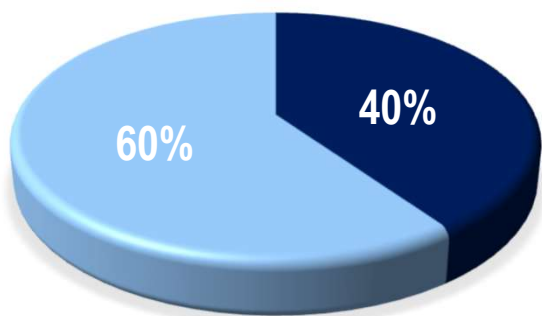
DOLLARS ISSUED



	<u>New Money</u>	<u>Total</u>
Fiscal 2020 - #	7	21
Fiscal 2020 - \$	\$476,858,370	\$1,186,407,597

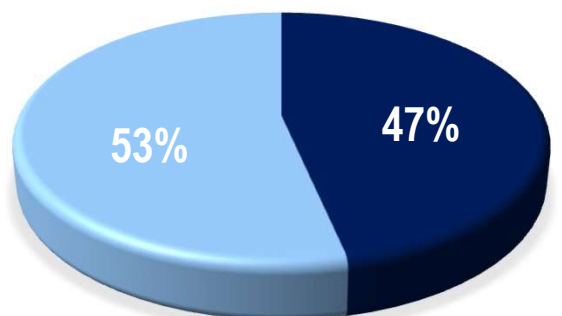
TOTAL WHEFA ACTIVITY

NUMBER OF FINANCINGS



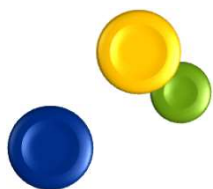
	<u>New Money</u>
Total Activity - #	535
Total Activity - \$	\$15,527,426,922

DOLLARS ISSUED



	<u>Refinancing</u>	<u>Total</u>
Total Activity - #	370	905
Total Activity - \$	\$13,850,382,561	\$29,377,809,483

WISCONSIN LOCATIONS OF WHEFA BORROWERS



3 EDUCATIONAL FACILITIES:

Hmong American Peace Academy – Milwaukee
Lawrence University of Wisconsin - Appleton
Marquette University – Milwaukee

5 LONG-TERM CARE FACILITIES:

Clement Manor – Greenfield
Marquardt Village Obligated Group – Watertown
Milwaukee Catholic Home - Milwaukee
SASC – Milwaukee
St. Camillus Health System - Wauwatosa

2 OTHER FACILITIES:

Goodwill Industries of North Central Wisconsin – Antigo, Appleton, Chippewa Falls, Green Bay, La Crosse, Manitowoc, Marshfield, Menasha, Menomonie, Onalaska, Oshkosh, Plover, Rhinelander, Rice Lake, Schofield, Stevens Point, Waupaca, Wausau, Wisconsin Rapids
Milwaukee World Festival - Milwaukee

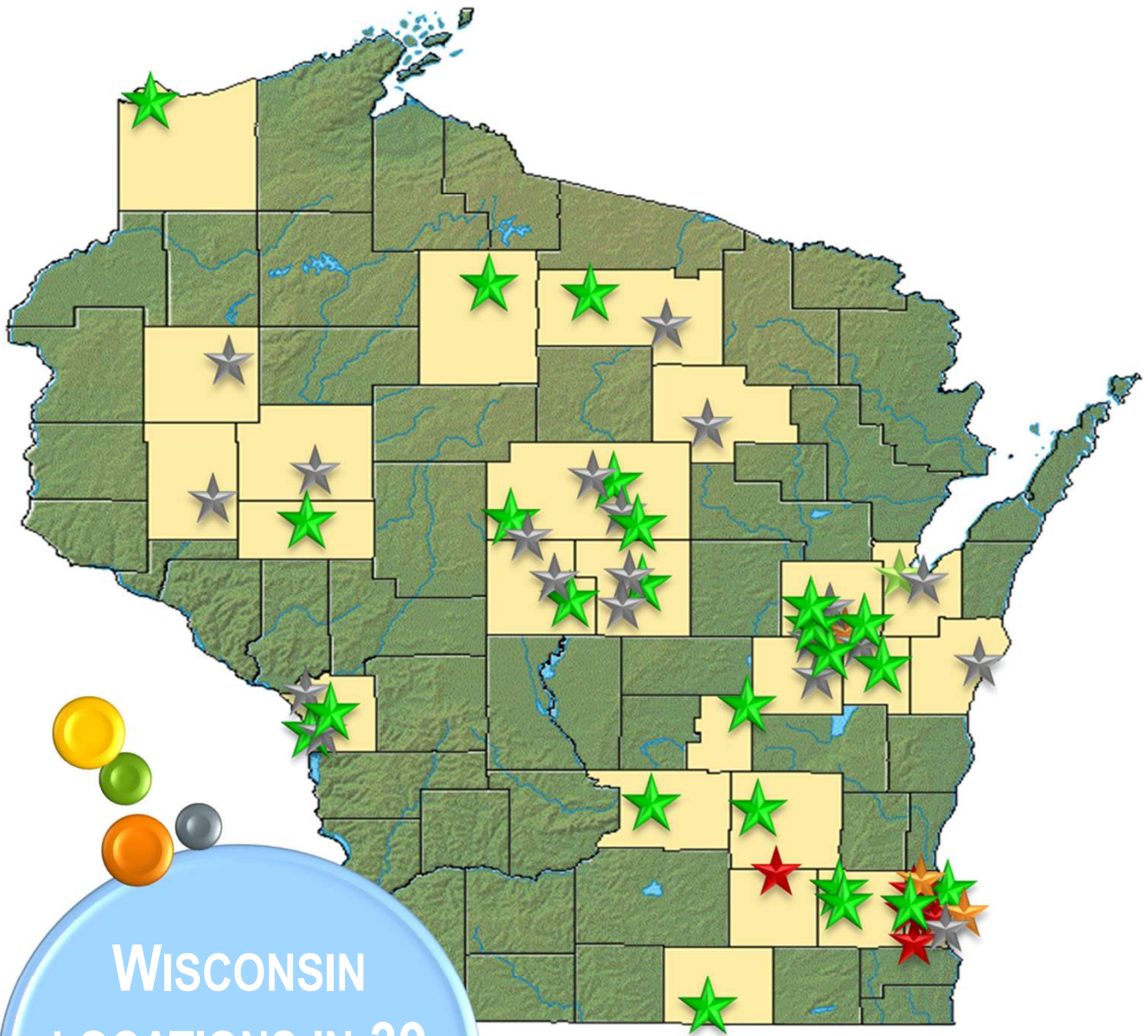
8 HEALTH CARE SYSTEMS:

Ascension Senior Credit Group – Milwaukee
Aspirus – Portage
Beloit Health System - Beloit
Essentia Health – Superior
Gundersen Health System - West Salem, La Crosse
Marshfield Clinic Health System - Weston; Park Falls, Marshfield, Wausau, Eau Claire, Minocqua, Stevens Point, Wisconsin Rapids, Beaver Dam
Rogers Memorial Hospital – Oconomowoc, Village of Summit, West Allis
ThedaCare - Appleton, Berlin, Harrison, Neenah, New London, Waupaca

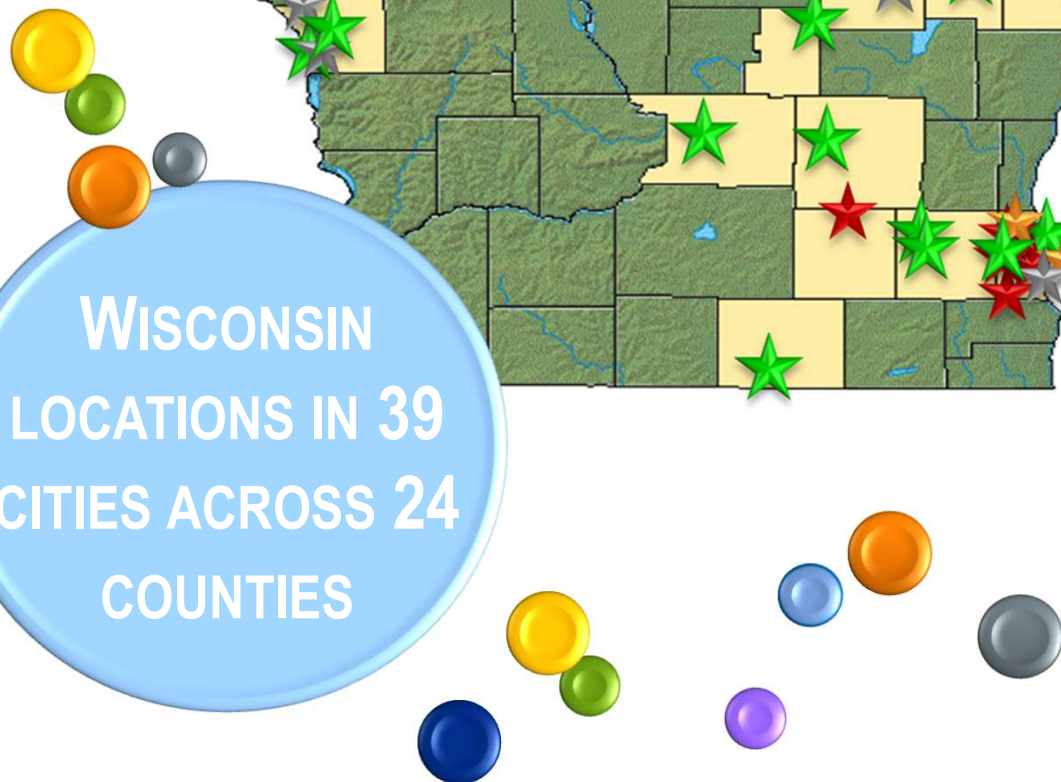
1 STAND-ALONE HOSPITAL:

Bellin Memorial Hospital – Green Bay





**WISCONSIN
LOCATIONS IN 39
CITIES ACROSS 24
COUNTIES**



**WISCONSIN HEALTH AND
EDUCATIONAL FACILITIES AUTHORITY**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

**Wisconsin Health and Educational Facilities Authority
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INDEPENDENT AUDITORS' REPORT

Board Members
Wisconsin Health and Educational Facilities Authority
Brookfield, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Wisconsin Health and Educational Facilities Authority (the Authority), as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these financial statements based on our audits. 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 the auditors' 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, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

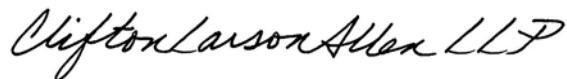
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System and the Schedule of Contributions – Wisconsin Retirement System be presented 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Wauwatosa, Wisconsin
October 13, 2020

Wisconsin Health and Educational Facilities Authority
Statements of Net Position
June 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 255,891	\$ 141,780
Investments	1,461,987	1,598,167
Accrued annual fees	324,605	293,251
Receivables and other assets	34,148	25,719
Total current assets	<u>2,076,631</u>	<u>2,058,917</u>
Noncurrent assets		
Capital assets, net	37,167	39,541
Net pension asset	230,732	-
Total noncurrent assets	<u>267,899</u>	<u>39,541</u>
Total assets	<u>2,344,530</u>	<u>2,098,458</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>156,580</u>	<u>205,414</u>
LIABILITIES		
Current liabilities		
Accounts payable	7,516	8,099
Accrued payroll and fringe benefits	2,873	4,480
Compensated absences	47,000	21,648
Total current liabilities	<u>57,389</u>	<u>34,227</u>
Long-term liabilities		
Compensated absences	38,186	44,837
Net pension liability	-	80,137
Total long-term liabilities	<u>38,186</u>	<u>124,974</u>
Total liabilities	<u>95,575</u>	<u>159,201</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	<u>219,280</u>	<u>111,766</u>
NET POSITION		
Net Position		
Net Investment in capital assets	37,167	39,541
Restricted	230,732	-
Unrestricted	1,918,356	1,993,364
Total net position	<u>\$ 2,186,255</u>	<u>\$ 2,032,905</u>

See accompanying notes to the financial statements.

Wisconsin Health and Educational Facilities Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Annual fees	\$ 713,154	\$ 665,432
Total operating revenues	<u>713,154</u>	<u>665,432</u>
Operating expenses		
Salaries and benefits	398,550	598,116
Professional fees	62,975	59,299
Board expense	5,675	2,551
Rent	54,711	54,884
Insurance	18,645	18,708
Supplies	6,316	8,202
Newsletters/annual report	4,965	6,313
Telephone/internet	8,339	8,545
Travel	9,099	11,715
Membership dues	6,420	6,420
Hosted seminar	3,172	15,632
Staff education/training	1,595	7,283
Sponsorships	13,749	15,300
Depreciation	15,486	13,819
Bad debt	708	-
Other	16,711	17,148
Total operating expenses	<u>627,116</u>	<u>843,935</u>
Operating loss	<u>86,038</u>	<u>(178,503)</u>
Nonoperating income (expense)		
Interest income	35,278	33,907
Change in fair market value of investments	32,034	37,663
Net nonoperating income (expense)	<u>67,312</u>	<u>71,570</u>
Change in net position	153,350	(106,933)
Net position, beginning of year	<u>2,032,905</u>	<u>2,139,838</u>
Net position, end of year	<u>\$ 2,186,255</u>	<u>\$ 2,032,905</u>

See accompanying notes to the financial statements.

Wisconsin Health and Educational Facilities Authority
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Cash received from others	\$ 672,115	\$ 613,944
Cash paid to vendors for goods and services	(213,645)	(228,294)
Cash paid to employees for services and benefits	(535,977)	(564,459)
Net cash used in operating activities	(77,507)	(178,809)
Cash flows from capital and related financing activities		
Purchases of property and equipment	(13,112)	(3,214)
Net cash used in capital and related financing activities	(13,112)	(3,214)
Cash flows from investing activities		
Purchases of investment securities	(280,429)	(138,550)
Proceeds from sales and maturities of investment securities	448,643	263,832
Interest received	36,516	33,509
Net cash provided by investing activities	204,730	158,791
Net increase (decrease) in cash and cash equivalents	114,111	(23,232)
Cash and cash equivalents, beginning of year	141,780	165,012
Cash and cash equivalents, end of year	\$ 255,891	\$ 141,780
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ 86,038	\$ (178,503)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	15,486	13,819
Effects of changes in operating assets and liabilities:		
Accrued annual fees	(31,354)	(46,335)
Receivables and other assets	(9,667)	(3,578)
Accounts payable	(583)	2,131
Accrued payroll and fringe benefits	(1,607)	(1,960)
Compensated absences	18,701	5,618
Pension activity	(154,521)	29,999
Net cash used in operating activities	\$ (77,507)	\$ (178,809)

See accompanying notes to the financial statements.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies utilized by the Wisconsin Health and Educational Facilities Authority (the Authority).

Reporting Entity

The Authority is a public body politic and corporate of the State of Wisconsin created and existing under Chapter 231 of the Wisconsin Statutes. The Authority consists of seven members (the Members), appointed by the governor, with the advice and consent of the state senate. The Authority is not considered a component unit of the State of Wisconsin for purposes of the State's Comprehensive Annual Financial Report.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The purpose of the Authority is to facilitate financing for capital expenditures and refinancing of indebtedness for qualified Wisconsin nonprofit institutions through the issuance of tax-exempt debt instruments.

The Authority issues tax-exempt instruments (bonds, notes, or other obligations), which do not constitute a debt of the State of Wisconsin or any political subdivision. These debt instruments are limited obligations of the Authority, payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Authority has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Therefore, the Authority has excluded these obligations, and the related assets held by trustees, from the financial statements (see Notes 8 and 9).

Basis of Presentation

All activities of the Authority are accounted for within a single proprietary (enterprise) fund using the full accrual basis of accounting whereby revenues are recognized when earned and expenses, including depreciation, are recorded when incurred. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges: or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. *Cash and cash equivalents*

The Authority considers all highly liquid debt instruments purchased with maturities less than 90 days to be cash equivalents.

2. *Investment securities*

Investments in securities are carried at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded as of the transaction date. Gains or losses on sales of securities are recognized using the specific identification method.

3. *Accrued annual fees*

The Authority considers accrued annual fees to be fully collectible; accordingly, no allowance is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

4. *Capital assets*

Capital assets are carried at cost. Maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Depreciation is computed using the straight-line method. The estimated useful lives of office furniture, equipment and leasehold improvements are three to seven years.

5. *Deferred outflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. This item is related to the Authority's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. *Deferred inflows of resources*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category in the statements of net position. The deferred inflow of resources relates to the Authority's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

7. *Compensated absences*

Vacation time and sick leave benefits are earned by employees of the Authority based on time in service. Employees have the option to receive payment of a portion of unused vacation time or can choose to use the accumulated vacation time in the future. Employees also have the option to accumulate earned but unused sick leave. An employee is eligible to receive payment of unused sick leave upon eligible retirement. In both cases, the employee's annual salary plus any payment of accumulated leaves cannot exceed the maximum of the salary range then-applicable to that employee as established by Wisconsin Statutes.

8. *Pensions*

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. *Net position*

Net position is classified and displayed in three components:

Net Investment in capital assets – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position – Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, contributors or laws or regulations or other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Net position that is neither classified as restricted nor as net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

10. *Operating revenue – annual fees*

Revenues consist primarily of annual fees charged to borrowing institutions. Revenues are recognized when earned. The fee charged to borrowing institutions for the years ended June 30, 2020 and 2019 was 0.7575 and 0.6875, respectively, of a basis point multiplied by the amount of bonds outstanding at the anniversary date of each bond issue.

11. *Income tax status*

The Authority is considered a quasi-governmental entity under Chapter 231 of the Wisconsin Statutes and therefore is exempt from federal and state income taxes.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES

The Authority had the following deposits as of June 30, 2020:

	<u>Carrying Value</u>	<u>Financial Institution Balance</u>	<u>Associated Risks</u>
Petty cash	\$ 92	\$ -	Not applicable
Demand deposits	45,836	47,619	Custodial credit
Money markets	209,963	209,963	Custodial credit
U.S. agency securities	995,946	995,946	Credit risk and interest rate risk
Corporate bonds	466,041	466,041	Credit risk and interest rate risk
Total cash and investments	<u>\$ 1,717,878</u>	<u>\$ 1,719,569</u>	

Reconciliation to the Statement of Net Position

Cash and cash equivalents	\$ 255,891
Investments	1,461,987
Total cash and investments	<u>\$ 1,717,878</u>

The Authority had the following deposits as of June 30, 2019:

	<u>Carrying Value</u>	<u>Financial Institution Balance</u>	<u>Associated Risks</u>
Petty cash	\$ 288	\$ -	Not applicable
Demand deposits	42,834	49,499	Custodial credit
Money markets	98,658	98,658	Custodial credit
U.S. agency securities	1,161,323	1,161,323	Credit risk and interest rate risk
Commercial asset-backed obligations	576	576	Credit risk and interest rate risk
Corporate bonds	436,268	436,268	Credit risk and interest rate risk
Total cash and investments	<u>\$ 1,739,947</u>	<u>\$ 1,746,324</u>	

Reconciliation to the Statement of Net Position

Cash and cash equivalents	\$ 141,780
Investments	1,598,167
Total cash and investments	<u>\$ 1,739,947</u>

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES (continued)

Custodial Credit Risk

Deposits in each local bank are insured by the FDIC in the amount of \$250,000 for demand deposits and \$250,000 for time and savings deposits. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental agencies. This coverage has not been considered in computing the custodial credit risk.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Authority's deposits may not be returned. The Authority does not have a policy related to custodial credit risk. As of June 30, 2020, none of the Authority's total bank balance of \$257,582 was uninsured and uncollateralized. As of June 30, 2019, none of the Authority's total bank balance of \$148,157 was uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

June 30, 2020					
Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
U.S. government and federal agency obligations	\$ 995,946	\$ 378,870	\$ 318,209	\$ 225,401	\$ 73,466
Corporate bonds	466,041	120,997	98,568	246,476	-
Total	<u>\$1,461,987</u>	<u>\$ 499,867</u>	<u>\$ 416,777</u>	<u>\$ 471,877</u>	<u>\$ 73,466</u>

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES (continued)

Interest Rate Risk (continued)

June 30, 2019					
Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
U.S. government and federal agency obligations	\$ 1,161,323	\$ 298,528	\$ 430,974	\$ 397,751	\$ 34,070
Other commercial asset-backed obligations	576	576	-	-	-
Corporate bonds	436,268	79,920	120,157	236,191	-
Total	<u>\$ 1,598,167</u>	<u>\$ 379,024</u>	<u>\$ 551,131</u>	<u>\$ 633,942</u>	<u>\$ 34,070</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin Statutes limit the purchase of investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of year-end for each investment type. The Authority does not have an additional credit risk policy.

June 30, 2020					
Investment Type	Amount	Exempt From Disclosure	AAA	Aa	A
U.S. government and federal agency obligations	\$ 995,946	\$ 904,319	-	\$ 91,627	-
Other commercial asset-backed obligations	-	-	-	-	-
Corporate bonds	466,041	-	-	428,843	37,198
Total	<u>\$ 1,461,987</u>	<u>\$ 904,319</u>	<u>\$ -</u>	<u>\$ 520,470</u>	<u>\$ 37,198</u>

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES (continued)

Credit Risk

June 30, 2019					
Investment Type	Amount	Exempt From Disclosure	AAA	Aa	A
U.S. government and federal agency obligations	\$ 1,161,323	\$ 1,011,560	\$ -	\$ 149,763	\$ -
Other commercial asset-backed obligations	576	-	576	-	-
Corporate bonds	436,268	-	24,947	381,350	29,971
Total	<u>\$ 1,598,167</u>	<u>\$ 1,011,560</u>	<u>\$ 25,523</u>	<u>\$ 531,113</u>	<u>\$ 29,971</u>

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. There was one investment in one issuer (other than U.S. Treasury Securities) that represented 5% of the total Authority's investments held at June 30, 2020, and no investments in any one issuer (other than U.S. Treasury Securities) that represent 5% or more of the total Authority's investments held at June 30, 2019.

Fair Value Measurement

The Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Authority follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Authority has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES (continued)

Fair Value Measurement (continued)

Financial assets and liabilities recorded on the statements of net position is based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

The Authority has the following fair value measurements as of June 30, 2020 and 2019:

June 30, 2020			
Fair Value Measurements Using:			
	Level 1	Level 2	Level 3
U.S. government and federal agency obligations	\$ -	\$ 995,946	\$ -
Corporate bonds	-	466,041	-
Total investments by fair value level	<u>\$ -</u>	<u>\$ 1,461,987</u>	<u>\$ -</u>

June 30, 2019			
Fair Value Measurements Using:			
	Level 1	Level 2	Level 3
U.S. government and federal agency obligations	\$ -	\$ 1,161,323	\$ -
Other commercial asset-backed obligations	-	576	-
Corporate bonds	-	436,268	-
Total investments by fair value level	<u>\$ -</u>	<u>\$ 1,598,167</u>	<u>\$ -</u>

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Capital assets, beginning of the year	\$ 105,973	\$ 105,528
Additions	13,112	3,214
Retirements	<u>(10,586)</u>	<u>(2,769)</u>
Capital assets, end of the year	108,499	105,973
Accumulated depreciation, end of year	<u>(71,332)</u>	<u>(66,432)</u>
Capital assets, net of depreciation, end of year	<u>\$ 37,167</u>	<u>\$ 39,541</u>

The Authority recognized \$15,486 and \$13,819 of depreciation expense during the fiscal years 2020 and 2019, respectively.

NOTE 4 COMPENSATED ABSENCES

Compensated absences as of June 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Compensated absences, beginning of the year	\$ 66,485	\$ 60,867
Additions	66,156	28,407
Reductions	<u>(47,455)</u>	<u>(22,789)</u>
Compensated absences, end of the year	<u>\$ 85,186</u>	<u>\$ 66,485</u>
Compensated absences, current portion	<u>\$ 47,000</u>	<u>\$ 21,648</u>

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN

Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the floor) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	%	Variable Fund Adjustment	%
2010	(1.3)	%	22.0	%
2011	(1.2)		11.0	
2012	(7.0)		(7.0)	
2013	(9.6)		9.0	
2014	4.7		25.0	
2015	2.9		2.0	
2016	0.5		(5.0)	
2017	2.0		4.0	
2018	2.4		17.0	
2019	-		(10.0)	

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$26,125 in contributions from the Authority.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Contributions (continued)

Contribution rates as of June 30, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Authority reported an asset of \$230,732 for its proportionate share of the Net Pension Asset. The Net pension Asset was measured as of December 31, 2019, and the Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Authority's proportion of the net pension asset was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019 the Authority's proportion was 0.00226149%, which was an increase of 0.00000896% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the Authority recognized pension expense of (\$130,145).

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 138,420	\$ 69,270
Net differences between projected and actual earnings on pension plan investments	-	149,076
Changes in assumptions	5,682	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	75	934
Employer contributions subsequent to the measurement date	12,403	-
Total	<u>\$ 156,580</u>	<u>\$ 219,280</u>

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$12,403 reported as deferred outflows related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Net Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (22,481)
2022	(16,740)
2023	2,465
2024	(38,347)
2025	-
Thereafter	-

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability:	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increase:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post Retirement Adjustments:	1.9%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions (continued)

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total Pension Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49.0%	8.0%	5.1%
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9.0	6.3	3.5
Private Equity/Debt	8.0	10.6	7.6
Multi-Asset	4.0	6.9	4.0
Total Core Fund	110.0	7.5	4.6
<u>Variable Fund Asset Class</u>			
US Equities	70.0%	7.5%	4.6%
International Equities	30.0	8.2	5.3
Total Variable Fund	100.0	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Single Discount Rate

A single discount rate of 7.00% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 29,971	\$ (230,732)	\$ (425,639)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payables to the Pension Plan

At June 30, 2020, the Authority reported a payable of \$-0- for the outstanding amount of contributions to the pension plan.

Wisconsin Health and Educational Facilities Authority
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 6 NET POSITION

Net position as of June 30, 2020 and 2019 on the statements of net position is comprised of the following:

	<u>2020</u>	<u>2019</u>
Investment in capital assets:		
Capital assets being depreciated	\$ 108,499	\$ 105,973
Accumulated Depreciation	<u>(71,332)</u>	<u>(66,432)</u>
Total investment in capital assets	37,167	39,541
 Restricted:		
Pension activity	<u>230,732</u>	<u>-</u>
 Unrestricted	<u>1,918,356</u>	<u>1,993,364</u>
 Total net position	<u><u>\$ 2,186,255</u></u>	<u><u>\$ 2,032,905</u></u>

NOTE 7 OPERATING LEASE COMMITMENT

The Authority has an agreement to lease its office space through December 31, 2021. The lease agreement provides for a basic monthly rental payment of \$2,802 plus operating costs through December 31, 2021. There is an extension option with basic monthly rental payments increasing by 2% every 12 months until December 31, 2026. Rental expense related to the office space amounted to \$51,663 and \$51,785 for the years ended June 30, 2020 and 2019, respectively.

NOTE 8 ASSETS HELD BY TRUSTEES

Resolutions adopted by the Authority have provided for trust and other agreements that establish specific funds to account for the proceeds of the various bond and note issues, notes receivable, debt service payments, payments by the participating health care and educational institutions, and construction and issuance costs. The investments held in specific funds established by such agreements are held by trustees and are excluded from the statements of net position of the operating fund, as described in Note 1.

NOTE 9 BONDS OUTSTANDING

As of June 30, 2020, there were 206 revenue bond issues outstanding for a total of \$9,115,688,472. As of June 30, 2019, there were 230 revenue bond issues outstanding for a total of \$9,297,486,057. A detailed listing of outstanding bond issues is available from the Authority upon request.

REQUIRED SUPPLEMENTARY INFORMATION

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/14	0.00205811%	\$ (52,053)	\$ 286,280	18.18%	102.74%
12/31/15	0.00211920%	33,444	299,842	11.15%	98.20%
12/31/16	0.00212604%	17,524	321,576	5.45%	99.12%
12/31/17	0.00220123%	(65,357)	336,508	19.42%	102.93%
12/31/18	0.00225253%	80,137	348,254	23.01%	96.45%
12/31/19	0.00261490%	(230,732)	360,787	63.95%	102.96%

SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/15	\$ 17,398	\$ 17,398	\$ -	\$ 252,733	6.88%
6/30/16	20,480	20,480	-	305,660	6.70%
6/30/17	22,372	22,372	-	333,952	6.70%
6/30/18	22,299	22,299	-	330,262	6.75%
6/30/19	23,333	23,333	-	348,254	6.70%
6/30/20	26,125	26,125	-	393,248	6.64%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes in assumptions. No significant change in assumptions were noted from the prior year.



**INDEPENDENT AUDITORS' REPORT 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**

Board Members
Wisconsin Health and Educational Facilities Authority
Brookfield, Wisconsin

We have audited, in accordance with the 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 Wisconsin Health and Educational Facilities Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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*.

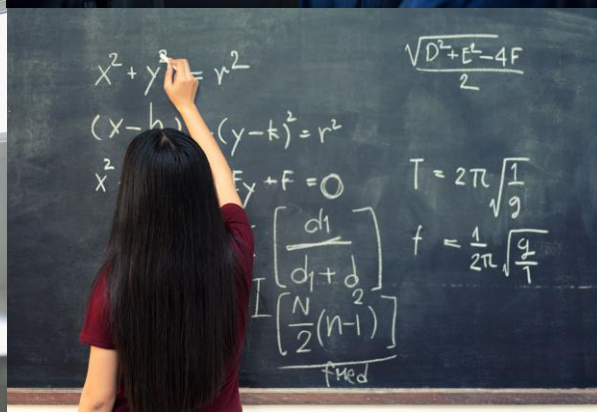
Purpose of this Report

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Wauwatosa, Wisconsin
October 13, 2020



Wisconsin Health and Educational
Facilities Authority

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