CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2014 AND 2013

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

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Gilbert Associates, Inc.
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INDEPENDENT AUDITOR'S REPORT

CEFA Members
California Educational Facilities Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the California Educational Facilities Authority (CEFA), a related organization of the State of California, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise CEFA'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 entity'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 entity'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 business-type activities of CEFA as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–7 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CEFA's basic financial statements. The Consolidating Financial Statements and Statement of Bonds and Collateralized Notes are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Consolidating Financial Statements and Statement of Bonds and Collateralized Notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Consolidating Financial Statements and Statement of Bonds and Collateralized Notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of CEFA'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 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 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 CEFA's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 24, 2014

This section of the financial statements of the California Educational Facilities Authority ("CEFA") presents management's discussion and analysis of the financial performance during the fiscal years that ended on June 30, 2014 and 2013. Please read it in conjunction with the financial statements that follow this section.

GENERAL BACKGROUND, OVERVIEW AND PROGRAMS

CEFA was established in 1973 for the purpose of issuing revenue bonds to assist private non-profit institutions of higher learning in the expansion and construction of educational facilities.

CEFA provides students with better access and broader opportunities in higher education by providing qualified non-profit private higher education institutions with the assistance needed to reduce their capital costs of financing academic related facilities through a tax-exempt revenue bond program.

Conduit Financing Activity

During the fiscal years ended June 30, 2014 and June 2013, CEFA issued $439,595,000 and $529,745,000, respectively. As of June 30, 2014, CEFA's total conduit debt issued was approximately $11.4 billion and the total conduit debt outstanding was approximately $4.7 billion. As of June 30, 2013, the CEFA's total conduit debt issued was approximately $10.9 billion and total conduit debt outstanding was approximately $4.5 billion.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of CEFA include the Independent Auditors' Report, Management's Discussion & Analysis (MD&A), basic financial statements, accompanying notes and supplemental information.

REQUIRED FINANCIAL STATEMENTS

CEFA's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities.

The ***Balance Sheets*** include all of CEFA's assets, liabilities, and net position for the years ended June 30, 2014 and 2013 and provide information about the nature and amounts of investments in resources (assets) and the obligations to CEFA's creditors (liabilities) (see Table 1).

Table 1

Balance Sheets

	2014	2013	2012
Assets			
Current Assets	$ 8,572,691	$ 13,132,339	$ 15,425,533
Non-Current Assets	-	2,285,807	2,273,128
Total Assets	$ 8,572,691	$ 15,418,146	$ 17,698,661
Liabilities			
Current Liabilities	71,563	550,307	533,164
Non-Current Liabilities	396,455	5,705,356	7,346,408
Total Liabilities	468,018	6,255,663	7,879,572
Net Position			
Restricted for Educational Purposes	8,104,673	9,162,483	9,819,089
Total Liabilities and Net Position	$ 8,572,691	$ 15,418,146	17,698,661

CEFA's Total Liabilities and Net Position were $8,572,691 as of June 30, 2014, which was a decrease from $15,418,146, as of June 30, 2013. The decrease was primarily due to the sale of CEFA's student loan portfolio and the early redemption of the Cal Loan, Series 2001A Bonds.

The ***Statements of Revenues, Expenses, and Changes in Net Position*** accounts for all of the revenue earned and expenses incurred by CEFA for the years ended June 30, 2014 and 2013. These statements reflect the results of CEFA's operations over the year (see Table 2).

Table 2

Statements of Revenues, Expenses, and Changes In Net Position

	2014	2013	2012
Operating Revenues			
Interest Income on Student Loans	$ 673,744	$ 714,139	$ 808,565
Fee Revenue	187,349	465,170	411,341
Total Operating Revenues	861,093	1,179,309	1,219,906
Operating Expenses			
Personnel	531,275	509,474	518,445
Operating Expenses	584,343	1,141,068	1,805,959
Total Operating Expenses	1,115,618	1,650,542	2,324,404
Operating Loss	(254,525)	(471,233)	(1,104,498)
Non-Operating Revenues (Expenses)			
Interest Income on Investments	58,904	129,227	150,244
Interest Expense	(261,630)	(314,600)	(417,600)
Change in Net Position Before Special Items	(457,251)	(656,606)	(1,371,854)
Special Items			
Insurance Proceeds	750,000	-	-
Loss on Sale of Student Loan Portfolio	(1,350,559)	-	-
Change in Net Position	(1,057,810)	(656,606)	(1,371,854)
Net Position - Beginning	9,162,483	9,819,089	11,190,943
Net Position - Ending	$ 8,104,673	$ 9,162,483	$ 9,819,089

In fiscal year 2013-2014, CEFA's Change in Net Position reflected a loss of $1,057,810. This loss is contributed to the sale of CEFA's student loan portfolio which was sold to a third party for $604,068, resulting in a loss of $1,350,559 and the early redemption of the Cal Loan, Series 2001 A Bonds.

The ***Statements of Cash Flows*** provide information about CEFA's cash receipts and cash payments during the year ended June 30, 2014 and 2013. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, noncapital financing and investment activities. The statements provide answers to questions of where cash came from, what cash was used for and what caused changes in cash for the reporting period covered.

Table 3
Statements of Cash Flows

	2014	2013	2012
Cash Flows From Operating Activities			
Net Cash Provided (Used) by Operating Activities	$ (30,382)	$ 528,662	$ 1,230,129
Cash Flows From NonCapital Financing Activities			
Net Cash Used by Noncapital Financing Activities	(4,099,362)	(2,044,400)	(1,941,300)
Cash Flows from Investing Activities			
Net Cash Provided by Investing Activities	62,858	132,838	154,447
Net Decrease in Cash and Cash Equivalents	(4,066,886)	(1,382,900)	(556,724)
Beginning Cash and Cash Equivalents	12,625,342	14,008,242	14,564,966
Ending Cash and Cash Equivalents	$ 8,558,456	$ 12,625,342	$ 14,008,242

The Ending Cash and Cash Equivalents declined in fiscal year ending June 30, 2 014 from $12,625,342 to $8,558,456. This decrease is due to CEFA's early redemption of the Cal Loan Series 2001 A Bonds.

ANALYSIS OF FISCAL YEAR 2013/2014 ACTIVITIES

Applications received in FY 2013/2014: **2**

Final Resolutions (FR) Adopted in FY 2013/2014: **1**

Bonds Sold in FY 2013/2014: **$439,595,000**

ANALYSIS OF FISCAL YEAR 2012/2013 ACTIVITIES

Applications received in FY 2012/2013:	**3**
Final Resolutions (FR) Adopted in FY 2012/2013:	**5**
Bonds Sold in FY 2012/2013:	**$529,745,000**

FUTURE CHANGES

Student Loan Program: With the market shifting from higher fixed rate to lower rates, the demand for the fixed rate Cal Loan program declined and loan originations ceased in September 2004. In March 2007, the Series 1997 bonds were defeased and the remaining funds were transferred to the 2001 bond program. Collection efforts were increased, but as Reserve Funds depleted and non-performing loans grew, the loans in the Cal Loan portfolio was sold in June 2014 to a third party and the outstanding bonds associated with the Cal Loan portfolio were redeemed in June 2014.

With the closure of the Cal Loan Program, CEFA continues to look for opportunities to assist students with the cost of higher education. AB 2377 (Perez) was signed by the Governor on September 29, 2014 and with that, Chapter 816, Statutes of 2014, established the California Student Loan Refinancing Program. Over the next year, staff will begin developing eligibility requirements and program procedures with the goal of helping college graduates to refinance student loan debt at more favorable rates.

In the fiscal year ending June 30, 2015, the Cal Loan program will be closed, and residual cash will be transferred out for use in other State programs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CEFA's financial position and is intended for distribution to a variety of interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, California Educational Facilities CEFA, 915 Capitol Mall, Sacramento, California 95814.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

BALANCE SHEETS
JUNE 30, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS:		
Cash and Investments in State Treasury	$ 6,976,580	$ 11,493,708
Restricted Cash and Investments with Fiscal Agent	1,581,876	577,320
Accounts Receivable	11,000	1,045,702
Due from State - External Funds	3,235	7,189
Prepaid Expenses		8,420
Total Current Assets	8,572,691	13,132,339
NON-CURRENT ASSETS:		
Restricted Cash and Investments with Fiscal Agent		554,314
Accounts Receivable (Net)		1,731,493
Total Non-Current Assets		2,285,807
TOTAL ASSETS	$ 8,572,691	$ 15,418,146
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts Payable	$ 19,068	$ 45,310
Accrued Expenses		102,723
Current Accrued Vacation	29,907	29,473
Accrued Administrator Compensation		345,549
Due to State - External Funds	22,588	27,252
Total Current Liabilities	71,563	550,307
NON-CURRENT LIABILITIES:		
Accrued Vacation	69,455	64,356
Bonds Payable		5,100,000
OPEB Obligation	327,000	271,000
Participant Collateral Accounts		270,000
Total Non-Current Liabilities	396,455	5,705,356
TOTAL LIABILITIES	468,018	6,255,663
NET POSITION:		
Restricted for Educational Purposes	8,104,673	9,162,483
Total Net Position	8,104,673	9,162,483
TOTAL LIABILITIES AND NET POSITION	$ 8,572,691	$ 15,418,146

The accompanying notes are an integral part of these financial statements.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES:		
Interest Income on Student Loans	$ 673,744	$ 714,139
Fee Revenue	187,349	465,170
Total Operating Revenues	861,093	1,179,309
OPERATING EXPENSES:		
Personnel	531,275	509,474
Operating Expenses	584,343	1,141,068
Total Operating Expenses	1,115,618	1,650,542
OPERATING LOSS	(254,525)	(471,233)
NON-OPERATING REVENUES (EXPENSES):		
Interest Income on Investments	58,904	129,227
Interest Expense	(261,630)	(314,600)
CHANGE IN NET POSITION BEFORE SPECIAL ITEMS	(457,251)	(656,606)
SPECIAL ITEMS:		
Insurance Proceeds (Note 6)	750,000	
Loss on Sale of Student Loan Portfolio (Note 1A)	(1,350,559)	
CHANGE IN NET POSITION	(1,057,810)	(656,606)
NET POSITION		
NET POSITION, Beginning of Year	9,162,483	9,819,089
NET POSITION, End of Year	$ 8,104,673	$ 9,162,483

The accompanying notes are an integral part of these financial statements.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Principal Repayments from Students	$ 624,590	$ 1,023,761
Interest Receipts from Student Loans	255,673	194,526
Receipts from Fees	176,849	470,170
Payments to Employees	(469,742)	(442,236)
Payments to Suppliers of Goods and Services	(617,752)	(717,559)
Net Cash Provided (Used) by Operating Activities	(30,382)	528,662
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Sale of Loan Portfolio	604,068	
Interest Paid on Bonds Payable	(353,430)	(344,400)
Insurance Proceeds	750,000	
Payment on Bonds Payable	(5,100,000)	(1,700,000)
Net Cash Used by Noncapital Financing Activities	(4,099,362)	(2,044,400)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Receipts from Investments	62,858	132,838
Net Cash Provided by Investing Activities	62,858	132,838
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,066,886)	(1,382,900)
BEGINNING CASH AND CASH EQUIVALENTS	12,625,342	14,008,242
ENDING CASH AND CASH EQUIVALENTS	$ 8,558,456	$ 12,625,342
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	$ (254,525)	$ (471,233)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED (USED) BY OPERATIONS:		
Amortization		64,949
Depreciation		16,250
(Increase) Decrease in:		
Accounts Receivable	196,019	509,148
Due to/from State - External Funds	(4,664)	12,000
Prepaid Expenses	8,420	3,657
Increase (Decrease) in:		
Accounts Payable	(26,242)	(16,411)
Accrued Expenses	(10,923)	(1,411)
Accrued Vacation	5,533	4,238
Accrued Administrator Compensation		44,475
Allowance for Uncollectible Accounts		300,000
OPEB Obligation	56,000	63,000
Net Cash Provided (Used) by Operating Activities	$ (30,382)	$ 528,662
NON-CASH NONCAPITAL FINANCING ACTIVITIES:		
Write-off of Student Loan Portfolio	$ (2,563,953)	
Write-off of Participant Collateral Accounts	270,000	
Write-off of Accrued Administrator Compensation	345,549	

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

The California Educational Facilities Authority (CEFA) was created by Chapter 1432, Statutes of 1972, which became effective March 7, 1973, and was subsequently amended. Legislation pertaining to the Act is contained in Division 10, Part 59, Chapter 2 of the Education Code commencing with Code Section 94100. Effective January 1, 1996, legislation was passed to consolidate the California Student Loan Authority (CSLA) with CEFA. The Student Loan Authority Fund and the Educational Facilities Authority Fund are maintained within CEFA and the combined balance sheet and results of operations and cash flows are presented in these financial statements.

CEFA was created for the purpose of issuing revenue bonds to assist private non-profit institutions of higher learning in the expansion and construction of educational facilities. Because it is authorized to issue tax-exempt bonds, CEFA may provide more favorable financing to such private institutions to reduce their capital costs of financing.

The law specifically provides that bonds issued under the Act shall not be a debt, liability or claim on the faith and credit or the taxing power of CEFA, the State of California, or any of its political subdivisions. The full faith and credit of the participating institutions, however, is normally pledged to the payment of the bonds. Bonds are issued at either public or private sales after details of the proposed project and satisfactory evidence of the ability of the participating institution to meet financial obligations have been submitted to CEFA and approved by the Board.

The CSLA was originally established for the primary purpose of financing insured student and parent loans directly to students. Following the consolidation with CEFA, CEFA is authorized to issue negotiable revenue bonds in order to provide funds for achieving its purposes and to assign and pledge all or any portion of its interests in insured loans or the revenue there from for the benefit of holders of CEFA's bonds. Neither the full faith and credit nor the taxing power of the State of California or its political subdivisions is liable for payment of the debt of the CEFA.

CEFA's authority was expanded to include the financing of student loans. Students attending both public and private non-profit colleges and universities were eligible. In 1997, the first bond issuance under this program funded the Cal Loan Program to enable students to borrow defined amounts if basic student aid is insufficient to cover expenses. The bonds are payable out of funds pledged under the program's indenture, which included payments, proceeds, charges and other cash income received in account of, or with respect to, any student loan. In June 27, 2001, CEFA issued a second series of Cal Loan Bonds while also contributing an additional amount of up-front cash. The Cal Loan program has discontinued issuing loans.

On June 11, 2014, all of the remaining loans associated with the Cal Loan Program were sold to a third party for $604,068. This sale resulted in a loss recognized on this transaction of $1,350,559, which is recorded as a special item on the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2014. In the fiscal year ending June 30, 2015, the Cal Loan program will be closed, and residual cash will be transferred out for use in other State programs.

ALL Student Loan Resources Corporation (ASLRC) provided program oversight for the Cal Loan program until all loans associated with the Cal Loan program were sold.

In 2002, CEFA's authority was further expanded to include the financing of grants to eligible colleges for outreach programs contributing to the expansion of postsecondary educational opportunities for low- and very low-income students. Funds for the $2 million program were provided from CEFA's existing fund balance and were disbursed over a three-year period. The last disbursement period occurred during the fiscal year ending June 30, 2008.

CEFA contracts with the State of California to provide administrative support including, but not limited to accounting, budgets, data processing, personnel, legal, insurance, and business services.

B. THE REPORTING ENTITY

These financial statements present information on the financial activities of CEFA. CEFA is a related organization of the State of California. The California State Treasurer by legislation serves as the Chairperson and is responsible for the oversight of CEFA.

C. BASIS OF PRESENTATION

As an enterprise fund, the accrual basis of accounting is utilized, whereby revenues are recorded when earned and expenses are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). The financial statements of CEFA have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

D. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of loans that are either deferred or in repayment. A reserve of $9,400,000 for the Cal Loan program (netted against accounts receivable) was established as of June 30, 2013. The student loan portfolio was sold to a third party in June 2014, thus the balance of the loan receivables and offsetting reserve is $0 at June 30, 2014.

E. REVENUES

Educational Facilities Authority Fund (EFAF)

Fees are for the staff work related to bond and equipment financing and post-issuance activities and for the review of bond transactions.
Bond financing program fees are as follows:

Closing Date of Issuance	Application Fee	Initial Fee	Annual Administrative Fee
On or before July 31, 2013:	$1,000	0.15% of the par amount, up to a maximum fee of $75,000	$500 annually for the first five years, $250 annually thereafter
August 1, 2013 – December 4, 2013:	$1,000	0.15% of the par amount up to $25,000,000, plus 0.05% of the par amount in excess of $25,000,000, up to a maximum fee of $75,000	0.015% of the par amount outstanding, up to a maximum fee of $12,000
December 5, 2013 – June 30, 2014:	$1,000, applied to the Initial Fee at closing	0.15% of the par amount up to $10,000,000, plus 0.05% of the par amount in excess of $10,000,000, up to a maximum fee of $75,000	0.015% of the par amount outstanding, up to a maximum fee of $12,000

Equipment financing program fees are as follows:

Closing Date of Issuance	Application Fee	Initial Fee	Annual Administrative Fee
July 1, 2013 – June 30, 2014:	None	0.075% of the financed amount	$500 annually for the first five years, $250 annually thereafter. Fee is waived for participants with other outstanding CEFA debt.

Fees are used to cover operating costs such as general communications, printing, professional services both internal and external, facilities operations, employee benefits, and other miscellaneous operating expenses, in addition to salaries and wages.

Student Loan Authority Fund (SLAF)

The Cal Loan bond funds earn interest on student loans outstanding and on the investments of bond trust funds and from loan guarantee fees. Net excess earnings (net position) are restricted for the respective loan programs. During the year ended June 30, 2014, the student loan portfolio was sold and the Cal Loan bond was redeemed.

Administration fund cash for both EFAF and SLAF is held by Surplus Money Investment Fund (SMIF) and generates investment income.

CEFA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing student loans and issuing bonds.

F. BUDGET

As enterprise funds, EFAF and SLAF are designed to be self-supporting, and therefore are not considered a budgetary fund. The Education Code sections of the Act (E.C. 94100 et. Seq.) do not require annual budgets or the establishment of appropriation limits. Section 94141 specifically limits expenses to moneys from revenues generated by operations.

G. CASH AND CASH EQUIVALENTS

CEFA considers all short-term investments with an original maturity of three months or less to be cash equivalents.

H. CAPITAL ASSETS

Capital assets are defined as assets with a useful life of at least one year and a unit acquisition cost of at least $5,000. Equipment is depreciated using the straight-line method over five years. Computer software is amortized using the straight-line method over 3 years.

I. RISK MANAGEMENT

CEFA is a related organization of the State of California and participates in their risk management program. The State of California is primarily self-insured against loss or liability, with a few exceptions. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. CEFA has not had any claims subject to this coverage in the last ten years. Additional disclosures are presented in the financial statements of the State of California.

J. ACCRUED VACATION

The accrued liability for the vacation compensation is recognized as an expense and liability in CEFA's financial statements. Additionally, accumulated sick-leave balances are not recorded as compensated absences because they do not vest to employees. However, unused sick-leave balances convert to service credits upon retirement.

K. ACCRUED ADMINISTRATOR COMPENSATION

Accrued administrator compensation represents an accrued bonus due to the program administrator for the Cal Loan program based on student loans issued. The administrator will not receive the compensation until the bonds are called and all other liabilities are paid. On June 13, 2014, the bonds were redeemed and the student loan portfolio was sold at a loss, therefore no accrued administrator compensation was due to the project administrator as of June 30, 2014. As a result, all prior accrued administrator compensation balances were written off and included with the Loss on Sale of Student Loan Portfolio Special Item.

L. NET POSITION

Net position is restricted by enabling legislation for the purposes of providing student loans, financing of grants to eligible colleges for outreach programs, and issuing revenue bonds to assist private non-profit institutions of higher learning in the expansion and construction of educational facilities.

M. USE OF ESTIMATES TO PREPARE FINANCIAL STATEMENTS

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

N. FUTURE ACCOUNTING PRONOUNCEMENTS

Management has evaluated new accounting pronouncements and has determined that GASB Statement No. 68, "Accounting and Financial Reporting for Pensions –an amendment of GASB Statement No. 27," (GASB 68), will have a significant impact on CEFA's financial statements. The provisions of this statement are required to be implemented retroactively in 2015, and require a restatement of beginning net position. This statement provides requirements for how pension costs and obligations are measured and reported in financial statements. When an organization's pension liability exceeds the pension plan's net assets available for paying benefits, there is a net pension liability. Governments will now be required to report that amount as a liability in their financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate, and (2) a tax-exempt, high-quality municipal bond rate to the extent that conditions under (1) are not met. See Note 7 for current information on CEFA's pension plan.

2. CASH AND INVESTMENTS

A. GENERAL

Cash and investments at June 30, are classified in the accompanying financial statements as follows:

	2014	2013
Cash and Investments in State Treasury	$ 6,976,580	$ 11,493,708
Restricted Cash and Investments with Fiscal Agent	1,581,876	577,320
Restricted Cash and Investments with Fiscal Agent, Non-Current		554,314
Total Cash and Investments	$ 8,558,456	$ 12,625,342

Cash and investments at June 30, consist of the following:

	2014	2013
Deposits in SMIF	$ 6,975,000	$ 11,492,000
Cash in State Treasury	1,580	1,708
Money Market Funds with Fiscal Agent	1,581,876	424,725
Investments with Fiscal Agent		706,909
Total Cash and Investments	$ 8,558,456	$ 12,625,342

B. STATE TREASURY

CEFA invests excess cash funds in SMIF. All of the resources of SMIF are invested through the Pooled Money Investment Account (PMIA). The PMIA investment program is designated by the Pooled Money Investment Board and is administered by the office of the State Treasurer.

Additional disclosure detail required by GASB Statements No. 3, No. 31, and No. 40, regarding cash deposits and investments in State Treasury, including disclosures related to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk, are presented in the financial statements of the State of California for the years ended June 30, 2014 and 2013.

C. FISCAL AGENTS

CEFA has invested proceeds from its student loan program in trust indentures held at the Bank of New York Mellon Trust Company, N.A. Cash and investments of the trusts are restricted and are being held to make student loans, repay bond debt, finance program expenditures, and maintain reserves.

Investment of debt proceeds by fiscal agents are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the State of California's investment policy. The table below identifies the investment types that are authorized for investments held by CEFA's fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	270 days	None	None
Money Market Funds	None	None	None
Investment Agreements	None	None	None
General State Obligations	None	None	None
State or Municipality Bonds or Notes	None	None	None
Repurchase Agreements	30 days	None	None
Certificates of Deposit	None	None	None
Federal Funds	1 year	None	None

Changes in market interest rates will adversely affect the fair value of an investment, resulting in interest rate risk. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways to manage exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The interest rate risk inherent in a portfolio can be measured using the weighted average maturity of the portfolio. The debt agreements have no specific limitations with respect to this metric.

Funds can be withdrawn from Cal Loan's guaranteed investment contracts with a two-day notice. Funds can be withdrawn from all of the money market accounts daily.

CEFA's cash and investments as of June 30 are stated at fair value and are summarized below.

	2014				
Investment Type	**Weighted Average Maturity (in years)**	**Maturity Date**	**Interest Rates**	**Cal Loan**	**Carrying Value**
Money Market Funds	N/A	N/A	0.01%	$ 1,581,876	$ 1,581,876
Total				$ 1,581,876	$ 1,581,876

	2013				
Investment Type	**Weighted Average Maturity (in years)**	**Maturity Date**	**Interest Rates**	**Cal Loan**	**Carrying Value**
Guaranteed Investment Contract	2.92	6/01/16	6.37%	$ 666,089	$ 666,089
Guaranteed Investment Contract	7.67	3/01/21	5.25	40,820	40,820
Money Market Funds	N/A	N/A	0.01	424,725	424,725
Total				$ 1,131,634	$ 1,131,634

All of the guaranteed investment contracts are issued by Financial Guarantee Insurance Company; they are unrated by credit rating agencies and are uninsured and not registered in CEFA's name. The Cal Loan money market funds are invested in the Dreyfus Government money market funds at June 30, 2014 and 2013. The Dreyfus Government money market funds are rated AAA, the fund is uninsured, and not registered in CEFA's name.

The following table presents a summary of the legal restrictions on cash and investments with fiscal agent as of June 30:

Categories	**2014**	**2013**
Cal Loan		
Current:		
Proceeds Fund – Student Loan Account	$ 953,725	$ 465,112
Reserve Fund - Revenue	628,151	92,113
Guaranty Reserve		1,826
Accrued Interest		18,269
Total Current Cash and Investments with Fiscal Agent	1,581,876	577,320
Non-Current:		
Reserve Fund – General Account		554,314
Total Cash and Investments with Fiscal Agent	$ 1,581,876	$ 1,131,634

3. ACCOUNTS RECEIVABLE

A detail of the accounts receivable at June 30 is as follows:

	2014	2013
Cal Loan:		
Student Loan Receivables		$ 8,599,485
Student Loan – Interest		3,577,210
Allowance for Loan Losses		(9,400,000)
		2,776,695
EFAF		
Fees	$ 11,000	500
Accounts Receivable, Net	$ 11,000	$ 2,777,195

4. DUE TO/FROM STATE – EXTERNAL FUNDS

Due to/from state external funds at June 30 includes the following:

Due From (Due To)	Description	2014	2013
SLAF			
SMIF	Interest Income	$ 1,706	$ 5,003
Legal Services	DOJ Attorney Services		(170)
EFAF			
SMIF	Interest Income	1,529	2,032
General Fund	Miscellaneous	(10,005)	(18,010)
State Compensation Insurance Fund	Insurance Premium Refund (Payable)	(1,343)	154
Department of General Service	Records Center Management	(488)	(274)
Legal Services	DOJ Attorney Services	(10,752)	(8,798)
Net Due From (To) State External Funds		$ (19,353)	$ (20,063)

The amount due from SMIF represents unpaid interest earned by CEFA. The amount due to other funds represents expenses paid by other funds within the State of California on behalf of CEFA.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets, being depreciated and amortized:				
Equipment	$ 7,071			$ 7,071
Computer software - amortizable	65,000			65,000
Total capital assets being depreciated and amortized:	72,071			72,071
Less accumulated depreciation and amortization for:				
Equipment	(7,071)			(7,071)
Software	(65,000)	$ (16,250)		(65,000)
Total accumulated depreciation and amortization	(72,071)	(16,250)		(72,071)
Total capital assets, being depreciated	$	$ (16,250)	$	$

6. BONDS PAYABLE

The detail of the bonds payable at June 30, 2013, is as follows:

5.40% Term Series 2001 A Bonds, due March 1, 2021. Student loan revenue bonds (Cal Loan). Interest due semi-annually, payable from revenues and recoveries of principal, including all receipts with respect to student loans financed pursuant to the indenture.	$ 5,100,000

The Cal Loan bonds are interest only, with no principal payments due until maturity. However, in conjunction with the sale of the student loan receivables and therefore the lack of future revenues for interest and principal payments, the bonds were early redeemed on June 13, 2014. As a result of the early redemption, CEFA negotiated insurance proceeds of $750,000 from the Municipal Bond Insurance Association, which is classified as a special item in the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2014.

Bonds Payable activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
5.40% Series 2001A	$ 5,100,000		$ 5,100,000	
Long-term liabilities	$ 5,100,000	$	$ 5,100,000	$

Bonds Payable activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
5.10% Series 2001A	$ 800,000		$ 800,000	
5.40% Series 2001A	6,000,000		900,000	$ 5,100,000
Long-term liabilities	$ 6,800,000	$	$ 1,700,000	$ 5,100,000

7. ACCRUED VACATION

CEFA employees are granted vacation and sick leave in varying amounts, depending upon the employee. These hours are accrued for all employees on the basis of monthly payrolls. Upon separation, employees are paid for accumulated vacation days up to specified limits. Accrued vacation and sick leave follow State employees from agency to agency and are not necessarily earned since the inception of CEFA's fund.

Accrued vacation activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Accrued vacation	$ 93,829	$ 35,440	$ (29,907)	$ 99,362	$ 29,907

Accrued vacation activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Accrued vacation	$ 89,591	$ 33,711	$ (29,473)	$ 93,829	$ 29,473

8. RETIREMENT PLAN

CEFA is a participant in the State of California's Public Employees' Retirement System (CalPERS), which is an agent multiple-employer and cost-sharing defined benefit retirement plan. Since all State agencies and certain related organizations, including CEFA, are considered collectively to be a single employer for plan purposes, the actuarial present value of vested and non-vested accumulated plan benefits attributable to CEFA's employees cannot be determined. The significant actuarial assumptions used to compute the actuarially determined State contribution requirements are the same as those used to compute the State pension benefit obligation as defined by CalPERS. Generally, full-time and permanent part-time employees are eligible to participate in CalPERS. Depending upon the plan option selection, benefits vest after five or ten years of service. Participants are eligible for service retirement after age 50 or 55 and must have five or ten years of CalPERS credited service, depending upon the tier of participation. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. The amount of pension contributions by CEFA to CalPERS is actuarially determined under a program wherein contributions plus the expected earnings of CalPERS will provide the necessary funds to pay the earned benefits of the employees when due. The total payroll of CEFA is covered.

CEFA's contributions to CalPERS for the years ended June 30, 2014, 2013, and 2012 were $67,608, $60,376, and $54,889, respectively, and equal 100% of the required contributions for each year. Participant contributions range from zero to six percent of their salary depending on the tier of participation. The excess of plan assets over vested and unvested benefits at June 30, 2014 and 2013 was not available. Such information is available for CalPERS as a whole, which is audited annually by other independent auditors. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained by writing to the CalPERS, Fiscal Services Division, P.O. Box 942703, Sacramento, California 94229-2703 or by visiting the CalPERS website at www.CalPERS.ca.gov.

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The State of California (the State) provides health care and dental benefits to annuitants of retirement systems to which the State contributes as an employer, through the State of California Other Post-employment Benefits Plan, a single-employer defined benefit plan. The health and dental benefits provided through the plan can be amended by the CalPERS Board of Administration and the California Department of Human Resources, respectively. Contributions are governed by the State of California and can be amended through legislation.

All State agencies and certain related organizations, including CEFA, are considered collectively to be a single employer for plan purposes. A portion of the State's post-employment benefit costs have been allocated to CEFA as follows:

	2014	2013
Annual required contribution	$ 85,000	$ 95,000
Interest on net OPEB obligation	13,000	12,000
Adjustment to annual required contribution	(11,000)	(10,000)
Annual OPEB cost (expense)	87,000	97,000
Contributions made	(31,000)	(34,000)
Increase in net OPEB obligation	56,000	63,000
Net OPEB obligation – beginning of year	271,000	208,000
Net OPEB obligation – end of year	$ 327,000	$ 271,000

CEFA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2014, and each of the preceding two years is as follows:

Fiscal year ended	Annual OBEB expense	% of annual OPEB expense contributed	Net OPEB obligation
6/30/12	$ 103,000	35.92%	$ 208,000
6/30/13	$ 97,000	35.05%	$ 271,000
6/30/14	$ 87,000	35.63%	$ 327,000

Additional disclosure detail required by GASB Statement No. 45 regarding post-retirement benefits, including actuarial methods and assumptions, funding policies, and the funded status of the plan, is presented in the financial statements and required supplementary information of the State of California for the year ended June 30, 2014. Additionally, copies of the CalPERS annual financial report which include the Retiree Benefits Trust Fund may be obtained by writing to the CalPERS, Fiscal Services Division, P.O. Box 942703, Sacramento, California 94229-2703 or by visiting the CalPERS website at www.CalPERS.ca.gov.

10. CONDUIT FINANCING PROGRAMS

CEFA acts as a conduit issuer by assisting eligible private nonprofit institutions of higher learning in obtaining financing through the issuance of revenue bonds. The financings are secured by the full faith and credit of the participating institutions, and CEFA is not responsible for payment on any financing. As a result, the financing obligations are not recorded in CEFA's financial statements. The borrowers' obligations generally are, but need not be, secured by insurance, a letter of credit or guaranty.

As of June 30, 2014 and 2013, there were $4,678,195,784 and $4,535,481,581, respectively, in conduit financings outstanding. CEFA assisted with the issuance of financings in the amount of $439,595,000 and $529,745,000 for the years ended June 30, 2014 and 2013, respectively. Additionally, the amounts of bonds authorized by CEFA with active resolutions that remain unsold were $1,030,710,000 and $1,359,805,000 as of June 30, 2014 and 2013, respectively.

ADDITIONAL INFORMATION

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

CONSOLIDATING BALANCE SHEET
JUNE 30, 2014

	Student Loan Authority Fund			Educational Facilities Authority	
	Administration	**Cal Loan**	**Total**	**Fund**	**Total**
ASSETS					
CURRENT ASSETS:					
Cash & Investments in State Treasury	$ 4,277,999		$ 4,277,999	$ 2,698,581	$ 6,976,580
Restricted Cash and Investments with Fiscal Agent		$ 1,581,876	1,581,876		1,581,876
Accounts Receivable				11,000	11,000
Due from Other External Funds	1,706		1,706	1,529	3,235
Total Current Assets	4,279,705	1,581,876	5,861,581	2,711,110	8,572,691
TOTAL ASSETS	$ 4,279,705	$ 1,581,876	$ 5,861,581	$ 2,711,110	$ 8,572,691
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES:					
Accounts Payable	$ 4,396		$ 4,396	$ 14,672	$ 19,068
Accrued Vacation				29,907	29,907
Due to Other External Funds				22,588	22,588
Total Current Liabilities	4,396		4,396	67,167	71,563
NON-CURRENT LIABILITIES:					
Accrued Vacation				69,455	69,455
OPEB Obligation				327,000	327,000
Total Non-Current Liabilities				396,455	396,455
TOTAL LIABILITIES	4,396		4,396	463,622	468,018
NET POSITION:					
Restricted for Educational Purposes	4,275,309	$ 1,581,876	5,857,185	2,247,488	8,104,673
Total Net Position	4,275,309	1,581,876	5,857,185	2,247,488	8,104,673
TOTAL LIABILITIES AND NET POSITION	$ 4,279,705	$ 1,581,876	$ 5,861,581	$ 2,711,110	$ 8,572,691

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

	Student Loan Authority Fund			Educational Facilities Authority Fund	
	Administration	Cal Loan	Total		Total
OPERATING REVENUES:					
Interest Income on Student Loans		$ 673,744	$ 673,744		$ 673,744
Fee Revenue		29,359	29,359	$ 157,990	187,349
Total Operating Revenues		703,103	703,103	157,990	861,093
OPERATING EXPENSES:					
Personnel				531,275	531,275
Operating Expenses	$ 78,796	213,945	292,741	291,602	584,343
Total Operating Expenses	78,796	213,945	292,741	822,877	1,115,618
OPERATING INCOME (LOSS)	(78,796)	489,158	410,362	(664,887)	(254,525)
NON-OPERATING REVENUES (EXPENSES):					
Interest Income on Investments	14,664	37,216	51,880	7,024	58,904
Interest Expense		(261,630)	(261,630)		(261,630)
TRANSFERS IN	1,354,068	7,178,030	8,532,098		8,532,098
TRANSFERS OUT	(7,178,030)	(1,354,068)	(8,532,098)		(8,532,098)
CHANGE IN NET POSITION BEFORE SPECIAL ITEMS	(5,888,094)	6,088,706	200,612	(657,863)	(457,251)
SPECIAL ITEMS:					
Insurance Proceeds (Note 6)		750,000	750,000		750,000
Loss on Sale of Student Loan Portfolio (Note 1A)		(1,350,559)	(1,350,559)		(1,350,559)
CHANGE IN NET POSITION	(5,888,094)	5,488,147	(399,947)	(657,863)	(1,057,810)
NET POSITION Beginning of Year	10,163,403	(3,906,271)	6,257,132	2,905,351	9,162,483
NET POSITION End of Year	$ 4,275,309	$ 1,581,876	$ 5,857,185	$ 2,247,488	$ 8,104,673

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)
STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING
JUNE 30, 2014

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Total Bonds Retired	Bonds Outstanding as of June 30, 2014
Claremont McKenna University, Series 1999	1-Mar-99	1-Nov-29	$ 24,000,000	$ 24,000,000	
Keck Graduate Institute (Shared Financing 2007)	27-Feb-07	1-Feb-30	8,565,000	8,565,000	
Santa Clara University, Series 2003A	16-Jul-03	01-Sep-33	23,600,000	23,600,000	
Stanford University, Series T-4 (2008)	15-May-08	15-Mar-14	172,410,000	172,410,000	
University of the Pacific Equipment Financing, Series 2007	15-Jun-07	15-Jun-14	4,250,000	4,250,000	
1993 CEFA Pool, Series B	12-Aug-93	1-Jun-18	38,290,000	37,980,000	$ 310,000
Stanford University, Series 1993 L-1	28-Dec-93	1-Oct-14	5,055,000		5,055,000
Stanford University, Series 1994 L-2	19-Oct-94	1-Oct-14	8,775,000		8,775,000
California Institute of Technology, Series 1994 (Variable Rate)	27-Oct-94	1-Jan-24	30,000,000		30,000,000
Stanford University, Series 1995 L-3	19-Oct-95	1-Oct-15	9,840,000		9,840,000
Stanford University, Series 1996 L-4	25-Oct-96	1-Oct-16	8,775,000		8,775,000
Stanford University, Series 1997 L-5	23-Oct-97	1-Oct-17	15,165,000		15,165,000
Mills College, Series 1997	20-Nov-97	1-Sep-22	11,065,000	5,770,000	5,295,000
California Western School of Law, Series 1998	4-Apr-98	1-Oct-28	16,000,000	5,140,000	10,860,000
Stanford University, Series 1998 L-6	28-Oct-98	1-Oct-22	17,815,000		17,815,000
University of San Diego, Series 1999 (part Capital Appreciation)	4-Feb-99	1-Oct-28	31,778,189	23,303,741	8,474,448
Life Chiropractic College West, 1999 (Variable Rate Demand)	4-Mar-99	1-Jan-25	18,000,000	5,475,000	12,525,000
Santa Clara University, Series 1999 (part Capital Appreciation & Current Interest)	15-Apr-99	1-Sep-26	82,181,741	25,770,235	56,411,506
1999 CEFA Pool, Series B	27-Apr-99	1-Apr-24	19,745,000	18,195,000	1,550,000
Stanford University, Series 1999 L-7	28-Oct-99	1-Oct-22	18,393,000		18,393,000
University of San Francisco, Series 2000 (Variable Rate Demand)	16-May-00	1-May-30	27,000,000	8,500,000	18,500,000
Loyola Marymount University, Series 2001A (part Capital Appreciation & Capitol Interest)	14-Jun-01	1-Oct-24	75,449,126	35,215,000	40,234,126
California College of Arts & Crafts, Series 2001	1-Jun-01	1-Aug-30	14,490,000	12,095,000	2,395,000
Art Center College of Design 2002 Series A (Variable & converted to Index Mode 8/10)	23-May-02	1-Dec-32	11,545,000	3,100,000	8,445,000
Art Center College of Design 2002 Series B (Variable & converted to Index Mode 8/10)	23-May-02	1-Dec-32	13,055,000	3,700,000	9,355,000
University of Redlands, 2003 Series A	27-Mar-03	01-Jun-33	17,280,000	4,150,000	13,130,000
University of San Francisco, Series 2003 (Variable Rate Demand)	28-May-03	01-May-33	40,000,000	6,030,000	33,970,000
Southwestern University Series 2003	29-May-03	01-Nov-23	11,880,000	4,885,000	6,995,000
University of Redlands, Series 2003B	11-Jun-03	01-Oct-25	17,000,000	6,125,000	10,875,000
University of Southern California, Series 2003B	08-Jul-03	01-Oct-15	12,795,000	10,345,000	2,450,000
Harvey Mudd College, Series 2003	24-Jul-03	01-Dec-33	7,110,000	7,110,000	
Stanford University, Series 2004 S-1 (Remarketed 4/08 Commercial Paper Rate Mode)	24-Jun-04	9-Jun-19	40,000,000		40,000,000
Stanford University, Series 2004 S-2 (Remarketed 4/08 Commercial Paper Rate Mode) (Remarked 5/15/13 Fixed Rate)	24-Jun-04	1-Nov-18	40,000,000	9,790,000	30,210,000
Stanford University, Series 2004 S-3 (Remarketed 4/08 Commercial Paper Rate Mode)	24-Jun-04	1-Nov-39	50,000,000		50,000,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)
STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING
JUNE 30, 2014

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Total Bonds Retired	Bonds Outstanding as of June 30, 2014
Stanford University, Series 2004 S-4 (Variable Rate Demand)	24-Jun-04	1-Nov-50	51,200,000		51,200,000
University of the Pacific, Series 2004	12-Aug-04	1-May-34	11,500,000	5,400,000	6,100,000
California Lutheran University, Series 2004A (Variable Rate Demand)	16-Nov-04	1-Oct-29	5,465,000		5,465,000
California Lutheran University, Series 2004C	16-Nov-04	1-Oct-29	27,915,000	4,345,000	23,570,000
Pomona College, Series 2005 A/1 (Current Interest Bonds)	24-Feb-05	1-Jul-45	16,735,000		16,735,000
Pomona College, Series 2005 A/2 (Capital Appreciation)	24-Feb-05	1-Jul-41	25,144,739		25,144,739
Occidental College, Series 2005A	12-Apr-05	1-Oct-36	54,320,000	49,510,000	4,810,000
Occidental College, Series 2005B	12-Apr-05	1-Oct-27	16,015,000	3,930,000	12,085,000
Pitzer College, Series 2005A	29-Apr-05	1-Apr-35	16,085,000	110,000	15,975,000
California College of Arts, Series 2005	12-May-05	1-Jun-35	18,535,000		18,535,000
Mills College, Series 2005 A	16-Jun-05	1-Sep-35	25,000,000	310,000	24,690,000
University of Redlands, Series 2005 A	7-Jul-05	1-Oct-35	27,180,000	3,850,000	23,330,000
Pepperdine University, Series 2005 A	3-Aug-05	1-Dec-35	92,365,000		92,365,000
University of Southern California, Series 2005	3-Aug-05	1-Oct-28	66,545,000	7,840,000	58,705,000
University of San Francisco, Series 2005B (Variable Rate Demand)	18-Aug-05	1-Oct-35	27,500,000	1,300,000	26,200,000
Pepperdine University, Series 2005B (Delayed Delivery)	6-Sep-05	1-Dec-32	16,340,000		16,340,000
Mills College, Series 2005 B (Delayed Delivery)	9-Sep-05	1-Sep-20	2,835,000	1,500,000	1,335,000
University of La Verne, Series 2005A	10-Nov-05	1-Jun-23	20,680,000	2,750,000	17,930,000
Woodbury University, Series 2006	1-Jan-06	1-Jan-36	19,995,000	2,995,000	17,000,000
Dominican University of California, Series 2006	25-Jan-06	1-Dec-36	19,795,000	635,000	19,160,000
University of the Pacific, Series 2006	31-May-06	1-Nov-36	77,180,000	8,315,000	68,865,000
California Institute of Technology, Series 2006 A (Variable Rate Demand)	12-Jul-06	1-Oct-36	82,500,000		82,500,000
California Institute of Technology, Series 2006 B (Variable Rate Demand)	12-Jul-06	1-Oct-36	82,500,000		82,500,000
Claremont Graduate University, 2007 Series A	15-Feb-07	1-Mar-42	36,000,000		36,000,000
California College of the Arts, (Shared Financing 2007)	27-Feb-07	1-Feb-24	11,240,000	3,425,000	7,815,000
Dominican University of California (Shared Financing 2007)	27-Feb-07	1-Feb-31	10,960,000	2,735,000	8,225,000
Woodbury University (Shared Financing 2007)	27-Feb-07	1-Feb-37	7,000,000	860,000	6,140,000
Saint Mary's College of California Equipment Financing, Series 2007	8-May-07	8-Mar-17	2,484,966	1,679,578	805,388
University of Southern California, Series 2007	24-May-07	1-Oct-37	263,395,000	6,310,000	257,085,000
Claremont McKenna College, Series 2007	31-May-07	1-Jan-38	40,425,000	1,485,000	38,940,000
University of the Pacific Equipment Financing, Series 2007	15-Jun-07	15-Jun-14	4,250,000	4,250,000	
Stanford University, Series T-1	19-Jun-07	15-Mar-39	111,775,000		111,775,000
Saint Mary's College of California, Series 2007 (Remarketed 7/30/08) (Remarked 1/17/12) (Remarked 10/3/12)	30-Aug-07	1-Oct-43	71,100,000	7,025,000	64,075,000
Stanford University, Series T-3	6-Sep-07	15-Mar-26	25,360,000		25,360,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)
STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING
JUNE 30, 2014

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Total Bonds Retired	Bonds Outstanding as of June 30, 2014
Scripps College, Series 2007	31-Oct-07	1-Nov-37	30,555,000	2,310,000	28,245,000
Charles Drew University of Medicine & Science, Series 2007 (Variable Rate Demand)	15-Nov-07	1-Nov-42	43,000,000	10,415,000	32,585,000
Occidental College, Series 2008	6-Mar-08	31-Oct-38	20,000,000	1,425,000	18,575,000
University of Redlands, Series 2008 A	22-May-08	1-Aug-38	21,125,000		21,125,000
Stanford University, Series 2008 TECP	15-May-08	1-May-38	300,000,000	247,506,000	52,494,000
Pomona College, Series 2008 A (Part Capital Appreciation & Current Interest)	5-Jun-08	1-Jan-18	59,475,000		59,475,000
California Lutheran University, Series 2008	31-Jul-08	1-Oct-38	38,060,000	1,525,000	36,535,000
Claremont Graduate University, 2008 Series A	21-Aug-08	1-Mar-38	15,000,000	530,000	14,470,000
Santa Clara University, Series 2008	11-Dec-08	1-Apr-37	72,485,000	9,875,000	62,610,000
University of Southern California, Series 2009A	15-Jan-09	1-Oct-39	217,605,000		217,605,000
Claremont McKenna College, Series 2009	22-Jan-09	1-Jan-39	83,095,000		83,095,000
University of Southern California, Series 2009B	25-Feb-09	1-Oct-39	197,900,000		197,900,000
Pomona College, Series 2009 A	2-Apr-09	1-Jan-24	62,290,000		62,290,000
University of the Pacific, Series 2009	28-May-09	1-Nov-39	15,000,000	2,130,000	12,870,000
University of Southern California, Series 2009C	9-Jul-09	1-Oct-24	82,305,000		82,305,000
Stanford University, Series T-5 (2009)	28-Jul-09	15-Mar-23	51,765,000		51,765,000
California Institute of Technology, Commercial Paper Revenue Notes	28-Jul-09	1-Jul-59	100,000,000	100,000,000	
California Institute of Technology, Series 2009	28-Jul-09	1-Nov-39	80,000,000		80,000,000
Art Center College of Design, Series 2009 (Variable Rate Demand)	13-Aug-09	1-Dec-39	9,940,000	730,000	9,210,000
Pitzer College, Series 2009	18-Nov-09	1-Apr-40	62,075,000	2,400,000	59,675,000
Carnegie Institution of Washington, 2010 Series A	24-Mar-10	1-Jul-40	34,525,000		34,525,000
Loyola Marymount University, Series 2010A	30-Mar-10	1-Oct-40	65,185,000	9,485,000	55,700,000
Loyola Marymount University, Series 2010B (Variable Rate Demand)	30-Mar-10	1-Oct-15	38,500,000	7,050,000	31,450,000
Stanford University, Series U-1	6-May-10	1-Apr-40	215,375,000		215,375,000
Santa Clara University, Series 2010	15-Sep-10	1-Feb-40	50,125,000	3,225,000	46,900,000
University of San Francisco, Series 2011	15-Feb-11	1-Oct-36	79,770,000	7,500,000	72,270,000
University of San Diego, Series 2011	16-Mar-11	1-Oct-22	18,640,000	4,620,000	14,020,000
Claremont University Consortium, Series 2011	7-Apr-11	1-Oct-35	9,000,000	1,095,000	7,905,000
Harvey Mudd College, Series 2011	19-May-11	1-Dec-41	15,065,000	630,000	14,435,000
Claremont McKenna College, Series 2011	7-Jul-11	1-Jan-30	5,480,000		5,480,000
Pomona College, Series 2011	12-Jul-11	1-Jan-17	7,310,000	3,460,000	3,850,000
Chapman University,Series 2011	3-Oct-11	1-Apr-31	100,000,000	5,795,000	94,205,000
Loyola Marymount University, Series 2011	22-Nov-11	1-Oct-24	22,105,000	9,470,000	12,635,000
University of the Pacific, Series 2012A	26-Jan-12	1-Nov-42	35,435,000	1,695,000	33,740,000
Art Center College of Design, Series 2012 (Private Placement)	7-Feb-12	1-Dec-41	20,000,000	1,330,000	18,670,000
Stanford University, Series U-2	17-Apr-12	1-Oct-32	77,760,000		77,760,000
Pepperdine University, Series 2012	5-Jun-12	1-Sep-33	50,000,000	1,490,000	48,510,000
Claremont University Consortium, Series 2012	2-Aug-12	1-Oct-33	8,065,000	585,000	7,480,000
University of Southern California, Series 2012A	29-Aug-12	1-Oct-23	41,595,000		41,595,000
California College of the Arts, Series 2012	25-Oct-12	1-Jun-30	11,465,000	570,000	10,895,000
Claremont McKenna College, Series 2012	28-Nov-12	1-Jan-42	30,000,000	255,000	29,745,000

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

EDUCATIONAL FACILITIES AUTHORITY FUND (CEFA)
STATEMENT OF BONDS AND COLLATERALIZED NOTES, AUTHORIZED, ISSUED AND OUTSTANDING
JUNE 30, 2014

Issued	Date Issued	Date of Final Maturity	Total Bonds Issued	Total Bonds Retired	Bonds Outstanding as of June 30, 2014
Golden Gate University, Series 2012 (Private Placement)	19-Dec-12	1-Jan-43	46,000,000	1,396,423	44,603,577
Loyola Marymount University, Taxable Series 2013A	26-Mar-13	1-Oct-43	37,000,000	705,000	36,295,000
Stanford University, Series U-3	15-May-13	1-Jun-43	261,410,000		261,410,000
Stanford University, Series U-4	15-May-13	1-Jun-43	39,215,000		39,215,000
Occidental College, Series 2013A	5-Jun-13	1-Oct-43	48,625,000	315,000	48,310,000
Occidental College,Taxable Series 2013B	5-Jun-13	1-Oct-27	6,370,000	140,000	6,230,000
University of the Pacific, Series 2014 (Private Placement)	8-May-14	1-May-21	36,500,000		36,500,000
Stanford University, Series U-5	14-May-14	1-May-21	124,115,000		124,115,000
Stanford University, Series U-6	14-May-14	1-May-45	278,980,000		278,980,000
TOTAL					$4,678,195,784

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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*

Independent Auditor's Report

CEFA Members
California Educational Facilities Authority
Sacramento, California

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 business-type activities of the California Educational Facilities Authority (CEFA), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise CEFA's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CEFA'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 CEFA's internal control. Accordingly, we do not express an opinion on the effectiveness of CEFA'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEFA'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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 24, 2014