

**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY
Trenton, New Jersey**

**NJCLASS/FFELP LOAN PROGRAMS
FINANCIAL STATEMENTS
June 30, 2011 and 2010**

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Independent Auditor's Report

To the Board Members of
New Jersey Higher Education Student Assistance Authority
Trenton, New Jersey

We have audited the accompanying financial statements of the business-type activities of the New Jersey College Loans to Assist State Students (NJCLASS) and Federal Family Education Loan Programs (FFELP) (collectively, the Programs) of the New Jersey Higher Education Student Assistance Authority (the Authority) as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Programs' management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the New Jersey College Loans to Assist State Students (NJCLASS) and Federal Family Education Loan Programs (FFELP) of the New Jersey Higher Education Student Assistance Authority as of and for the year ended June 30, 2010 were audited by other auditors whose report dated October 7, 2010 expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present only the business-type activities of the NJCLASS and FFELP Loan Programs of the Authority and do not purport to, and do not present the financial position of the Authority as of June 30, 2011 and 2010, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Programs at June 30, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011 on our consideration of the Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 40-43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Mt. Laurel, New Jersey
October 26, 2011



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As financial management of the New Jersey Higher Education Student Assistance Authority's (the "Authority") New Jersey College Loans to Assist State Students ("NJCLASS") Loan Program and the Federal Family Education Loan Program ("FFELP") (collectively, the "Programs"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Programs for the fiscal year ended June 30, 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented herein in conjunction with the financial statements taken as a whole. A comparative analysis of key elements of the financial statements is provided in this overview.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Programs' financial statements, which are comprised of the basic financial statements and the notes to financial statements. Since the Programs are comprised of a single enterprise fund, no fund-level financial statements are shown. This report also contains other supplementary information concerning the financial position and results of operations broken down by bond issues included in the Programs.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Programs' finances, in a manner similar to a private-sector business.

The statements of net assets present information on all of the Programs' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Programs is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities result in increased net assets, which indicate an improved financial position.

The statements of revenues, expenses and changes in net assets present information showing how net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the financial position and results of operations of each bond issue included in the Programs, as well as the auditors' report on internal control over financial reporting and on compliance and other matters.

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Financial Highlights and Analysis

The Programs' net assets, referring to the difference between assets and liabilities, increased by \$2,929,834 from the prior fiscal year. The term "Net Assets" is used in accordance with rules promulgated under Governmental Accounting Standards Board ("GASB") Statement No. 34, as amended.

As of June 30, 2011, assets of the Programs exceeded liabilities by \$146,930,328.

Changes in Student Loans Receivable Balances

The largest portion of the Programs' assets consisted of loans receivable from participating borrowers. Total student loans receivable under both the NJCLASS and FFELP loan programs amounted to \$1,998,362,477 and \$1,799,674,501 at June 30, 2011 and 2010 respectively, an increase of \$198,687,976, due to loan originations during the year, reduced by loan principal repayments.

Changes in Cash and Investments Balances

The second major asset component was cash and investments, which together totaled \$199,794,103 at June 30, 2011, versus \$542,375,090 at the prior year end. The cash and investment balances represent the amounts dedicated to student loan origination and acquisition, funding of reserves required by bond covenants, payment of future Program expenses, and future retirements of bonds.

The decrease in Cash and Investments was partially due to the use of cash to originate new NJCLASS loans, as well as bond principal redemptions during the fiscal year, as described below in **Changes in Liabilities – Bonds Payable**.

- Cash and investments balances were replenished from principal repayments and interest income from NJCLASS and FFELP borrowers, amounting to \$234,877,543 during the fiscal year. In addition, NJCLASS application/administrative fee income was \$7,058,955, and \$1,151,706 in interest was earned on investments.

Changes in Liabilities – Bonds Payable

The main liability of the Programs is the related debt used to originate or acquire these loans. Bonds payable decreased from the prior year by \$133,825,000, due to bond principal redemptions, which utilized a total of \$123,434,812 in cash. Of the amount retired:

- \$275,000 was through Special Redemptions of portions of the Authority's auction rate bond issues at 85.00% of par, resulting in total gains on retirements of \$41,250.
- \$82,500,000 was through Purchases in Lieu of Redemption of portions of the Authority's auction rate bond issues resulting from tenders, at prices ranging from 84.00% to 87.50% of par, resulting in total gains on retirement of \$10,348,938.
- \$28,645,000 in retirements was due to scheduled bond maturities, including \$22,605,000 of 2010-FFELP Bonds, in accordance with the terms of that Indenture.
- \$3,000,000 in retirements of the 2001 Bond Issue was due to Optional Retirements.
- \$19,405,000 in retirements of the 2008 Series A Bond Issue was due to Unexpended Proceeds.

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The following is a summary of new bond issuance activity during the 2011 and 2010 fiscal years:

- No new Bonds were issued during the 2011 fiscal year; however, \$326,500,000 was issued in July 2011. SEE NOTES TO FINANCIAL STATEMENTS - 9. SUBSEQUENT EVENTS.
- A total of \$1,138,000,000 par amount of NJCLASS/FFELP Bonds were issued during the 2010 fiscal year. Of the total bond proceeds, approximately \$939,479,000 was used in connection with retirements and refundings of \$1,077,025,000 of failed auction rate debt issued between 2001 and 2007, as well as to provide for required reserves and issuance costs. A majority of the collateral for these bond issues was provided by the transfer of \$1,004,031,382 of student loans and accrued interest from bond issues within the 1998 Indenture of Trust. Another major use of the proceeds was to provide funding for origination of \$198,521,147 of NJCLASS and NJCLASS Consolidation loans for the 2010-11 Academic Year. These issuances included payments of net bond premiums totalling \$22,081,304.

The following tables contain condensed comparative financial information derived from the June 30, 2011 and 2010, financial statements of the NJCLASS/FFELP Loan Programs:

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	June 30,		Change
	2011	2010	
Net Assets			
Current assets	\$ 311,740,856	\$ 646,734,163	\$ (334,993,307)
Non-current assets	1,964,785,202	1,774,715,028	190,070,174
Total assets	<u>2,276,526,058</u>	<u>2,421,449,191</u>	<u>(144,923,133)</u>
Current liabilities	42,369,931	33,068,508	9,301,423
Non-current liabilities	2,087,295,965	2,244,450,355	(157,154,390)
Total liabilities	<u>2,129,665,896</u>	<u>2,277,518,863</u>	<u>(147,852,967)</u>
Net assets, restricted	<u>146,860,162</u>	<u>143,930,328</u>	<u>2,929,834</u>
Total liabilities and net assets	<u>\$ 2,276,526,058</u>	<u>\$ 2,421,449,191</u>	<u>\$ (144,923,133)</u>
Changes in Net Assets			
Operating revenues	\$ 146,234,018	\$ 123,625,728	\$ 22,608,290
Operating expenses	145,897,331	116,533,552	29,363,779
Operating gain (loss)	<u>336,687</u>	<u>7,092,176</u>	<u>(6,755,489)</u>
Non-operating revenues (expenses)			
Income on investments	1,151,706	1,081,330	70,376
Gain on bond retirements	10,390,188	160,822,875	(150,432,687)
Interest rate swap termination fees	(6,490,000)	(58,706,000)	52,216,000
Miscellaneous expense	-	(3,431)	3,431
Amortization of bond issuance costs	(2,340,310)	(6,135,665)	3,795,355
Amortization of financial instrument issuance costs	(82,675)	(171,543)	88,868
Arbitrage expense	(35,762)	-	(35,762)
Net non-operating revenues	<u>2,593,147</u>	<u>96,887,566</u>	<u>(94,294,419)</u>
Change in net assets	2,929,834	103,979,742	(101,049,908)
Net assets, beginning of year	<u>143,930,328</u>	<u>39,950,586</u>	<u>103,979,742</u>
Net assets, end of year	<u>\$ 146,860,162</u>	<u>\$ 143,930,328</u>	<u>\$ 2,929,834</u>

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Explanation of Changes in Financial Performance

Changes in the financial results of the Programs were due to the following major factors:

Operating Revenues

- Interest income on NJCLASS student loans increased by \$20,600,513, or 19%, due to the approximately \$337 million in NJCLASS originations during the 2011 fiscal year.
- NJCLASS loan reserve fee income for the 2011 fiscal year increased by \$2,100,421, primarily because the loan reserve funds for the newer bond issues, 2009 through 2010-2, are contained within the bond trust estate. The loan reserve funds of the 2008 and prior issues were outside the bond trust estate, resulting in no such income to the NJCLASS/FFELP Program. In addition, the Fiscal 2011 increase in the loan reserve fee from 1% to 2% on new fully deferred (option 3) loans, as well as the 1% loan reserve fee charged when existing NJCLASS loans are consolidated contributed to this increase.
- Interest income on FFELP loans decreased by \$448,080, primarily due to the decrease in FFELP portfolio assets from \$132,542,224 to \$127,047,923.

Operating Expenses

- Bond interest expense increased by \$9,167,229, primarily due to the fixed rate Bonds issued during FY 2010 that carry interest rates higher than the ARC Bonds that were retired in FY 2010 and 2011.

Bad Debt Expense

- In fiscal year 2011, an additional \$23,639,930 in bad debt expense was recognized, versus \$8,677,183 in 2010, due to an increase in defaults of NJCLASS loans. The increase in defaults is partly a result of the significant increases in the NJCLASS loan portfolio during recent fiscal years, as described below in **Significant Events**. Bad debt expense is recorded when increases to the Allowance for Doubtful Accounts recorded against amounts due from the Loan Reserve Fund to pay default claims become necessary. For a full description of the Allowance for Doubtful Accounts, see NOTES TO FINANCIAL STATEMENTS - 3. STUDENT LOANS RECEIVABLE – Loan Defaults/Loan Reserve Fund.

Default Expense

- This is the expense recorded when default claims against loans in the 2009 through 2010-2 Bond Issues occur, resulting in write-off of the NJCLASS loan receivable. It increased by \$4,318,390 over Fiscal 2010, due to additional defaults in the 2009 through 2010-2 Bond Issues.

Loan Servicing Fees

- Loan servicing fees, which are the ongoing fees charged to the NJCLASS/FFELP Trust Estate for administration of the NJCLASS and FFELP Programs increased by a net amount of \$1,878,061. This was due to the \$215,601,030 increase in NJCLASS loans outstanding versus the Fiscal 2010 year-end balance, partially offset by the decrease in balances and resulting lower fees paid on the FFELP loan portfolios.

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Non-Operating Revenues (Expenses)

- Fiscal 2011 Gains on Bond Retirement decreased by \$150,432,387, due to the much smaller volume of bond retirement and refunding activity versus the prior year. Bond retirement activity is described “**Changes in Liabilities – Bonds Payable**” above.
- Swap termination fees decreased by \$52,216,000, totaling \$6,490,000 compared with \$58,706,000 in Fiscal 2010, also due to the decrease in bond retirement and refunding activity.

Swap termination fees are the amounts charged by counterparties in exchange for the complete or partial termination (amendment) of existing swaps, which had resulted in periodic payments to the counterparty. HESAA terminated or reduced its swap positions due to the movement of a comparable amount of the hedged assets, fixed rate NJCLASS student loans, to new fixed rate bond issues. This was done in connection with a reduction in the amount of Auction Rate Certificates (ARC's) outstanding, whose interest rates were converted to a fixed rate by these swaps, in order to create an asset/liability match with the loans.

No terminations of HESAA's swaps had occurred prior to 2010. This expense was entirely funded from the gains on retirement of ARC's (see above) and did not require any HESAA or State General Fund expenditures.

- Amortization of Bond Issuance cost decreased by \$3,795,355. This is due to the much smaller amount of capitalized bond issuance cost that was required to be fully expensed in Fiscal 2011, when Bond retirements and refunding totaled \$133,825,000 versus \$1,082,865,000 in the prior year.
- Investment interest income was comparable with the prior year, increasing slightly to \$1,151,706, compared to \$1,081,330 in fiscal 2011.

Significant Events

- At fiscal year end, the Programs had \$2,083,320,000 in bonds outstanding, compared to \$2,217,145,000 in the prior fiscal year – a decrease of 6.0%. This is due to the aforementioned fiscal year 2011 retirements, as well as the delayed issuance of the 2011-1 Bonds, which closed on July 20, 2011.
- During the year, the Authority experienced a slight decrease in NJCLASS student loan volume, with cash disbursements of \$337,599,598 for new loans, compared to \$347,312,068 during fiscal year 2010, a decrease of 2.8%.

Cash Flows Summary

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Net cash used in operating activities	\$ (213,534,401)	\$ (280,950,192)
Net cash flows (used in) provided by financing activities	(130,210,191)	165,995,924
Net cash flows provided by investing activities	<u>56,497,127</u>	<u>66,895,151</u>
Net decrease in cash and cash equivalents	<u>\$ (287,247,465)</u>	<u>\$ (48,059,117)</u>

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Current Conditions

In response to the continuing strong demand for NJCLASS loans, HESAA issued its Series 2011-1 Bonds on July 20, 2011. Unlike recent years, during which bonds were issued prior to the close of the fiscal year, the July 20, 2011 date was selected to avoid a prolonged period of holding large cash balances between the issuance date and the start of the fall academic semester, when the largest portion of the proceeds are disbursed. This was made necessary by the extremely low interest rates available on invested proceeds, currently under five basis points, versus the fixed rates on the 2011-1 Bonds ranging from 3.00% to 5.875%, which result in high interest expense without an offsetting performing asset.

HESAA continually evaluates the performance of its NJCLASS loans to balance the needs of its borrower base with the necessity of maintaining an adequate collections stream on its portfolio. This effort has resulted in the recognition that current economic conditions have contributed to an increase in borrower defaults in recent years. Research performed by HESAA staff and our advisors has also determined that a large portion of loans that eventually go into default are those that were originated in option III, which allows for full deferment of principal and interest while in school, and/or those with lower credit scores. To mitigate the risk of future loan defaults, beginning with the 2011-12 academic year, the Authority has made two significant policy changes to help avoid future defaults and enhance the overall credit quality of its loan portfolio. HESAA has reduced the allowable percentage of fixed rate loans that can be originated in option 3 to 30% of this portfolio, and has raised the minimum credit score required to qualify for an NJCLASS fixed rate standard loan from 570 to 630.

- For specific statistical information regarding default experience during fiscal 2011 and 2010, refer to NOTES TO FINANCIAL STATEMENTS - 3. STUDENT LOANS RECEIVABLE – Loan Defaults/Loan Reserve Fund.

FINANCIAL STATEMENTS

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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STATEMENTS OF NET ASSETS
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	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 160,883,100	\$ 448,130,565
Investments	38,911,003	94,244,525
NJCLASS student loans receivable	51,126,596	54,796,283
FFELP student loans receivable	12,780,209	11,418,753
Interest receivable:		
Investments	7,978	19,878
NJCLASS student loans	25,810,866	26,449,475
FFELP student loans	1,402,587	1,503,467
NJCLASS defaulted student loan principal and interest in 2009 and 2010 Indenture Loan Reserve Funds, net of allowance for doubtful accounts of \$19,083,945 in 2011 and \$0 in 2010	8,083,289	-
Due from the Loan Reserve Fund, net of allowance for doubtful accounts of \$22,553,515 and \$17,997,530 in 2011 and 2010, respectively	12,529,520	9,929,630
Default collections receivable	60,851	7,775
Due from loan servicing agents	144,857	233,812
Total current assets	311,740,856	646,734,163
NON-CURRENT ASSETS		
NJCLASS student loans receivable	1,820,187,959	1,600,917,241
FFELP student loans receivable	114,267,714	132,542,224
Bond issuance costs - unamortized	12,665,111	15,005,421
Financial instrument issuance costs - unamortized	279,758	321,079
Deferred outflow - interest rate swap	17,384,660	25,929,063
Total non-current assets	1,964,785,202	1,774,715,028
TOTAL ASSETS	\$ 2,276,526,058	\$ 2,421,449,191
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bonds payable	\$ 32,115,000	\$ 22,597,500
Accrued interest payable - bonds	8,592,484	8,202,874
Fees payable	1,231,085	1,709,929
Arbitrage payable	35,762	-
Due to the Loan Reserve Fund	395,600	558,205
Total current liabilities	42,369,931	33,068,508
NON-CURRENT LIABILITIES		
Bonds payable	2,051,205,000	2,194,547,500
Premium on bonds payable, net	18,706,305	23,973,792
Derivative instrument liability - interest rate swaps	17,384,660	25,929,063
Total non-current liabilities	2,087,295,965	2,244,450,355
Total liabilities	2,129,665,896	2,277,518,863
NET ASSETS		
Restricted	146,860,162	143,930,328
TOTAL LIABILITIES AND NET ASSETS	\$ 2,276,526,058	\$ 2,421,449,191

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

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2011 and 2010

OPERATING REVENUES

Interest income		
NJCLASS student loans	\$ 128,405,073	\$ 107,804,560
FFELP student loans	5,380,500	5,828,580
Application/administrative fee income	7,058,955	7,011,324
Loan reserve fee income	4,902,547	2,802,126
Default income	486,943	179,138
Total operating revenues	<u>146,234,018</u>	<u>123,625,728</u>

OPERATING EXPENSES

Loan servicing fees		
NJCLASS student loans	11,193,758	8,824,299
FFELP student loans	2,423,867	2,915,265
Total loan servicing fees	<u>13,617,625</u>	<u>11,739,564</u>
Program expenses		
Annual insurance expense and transaction fees	473,525	1,550,276
Bad debt expense	23,639,930	8,677,183
Default expense	4,784,526	466,136
Loan Reserve Fund fees	3,687,587	3,573,484
Total program expenses	<u>32,585,568</u>	<u>14,267,079</u>
Bond interest expense	99,694,138	90,526,909
Total operating expenses	<u>145,897,331</u>	<u>116,533,552</u>
Operating income	<u>336,687</u>	<u>7,092,176</u>

NON-OPERATING REVENUES (EXPENSES)

Income on investments	1,151,706	1,081,330
Gain on bond retirements	10,390,188	160,822,875
Interest rate swap termination fees	(6,490,000)	(58,706,000)
Miscellaneous expense	-	(3,431)
Amortization of bond issuance costs	(2,340,310)	(6,135,665)
Amortization of financial instrument issuance costs	(82,675)	(171,543)
Arbitrage expense	(35,762)	-
Net non-operating revenues	<u>2,593,147</u>	<u>96,887,566</u>

CHANGE IN NET ASSETS

2,929,834 103,979,742

NET ASSETS, BEGINNING OF YEAR

143,930,328 39,950,586

NET ASSETS, END OF YEAR

\$ 146,860,162 \$ 143,930,328

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

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STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts:		
NJCLASS student loans	\$ 82,053,059	\$ 62,687,475
FFELP student loans	4,452,909	4,848,887
Principal receipts:		
NJCLASS student loans	129,662,801	100,223,012
FFELP student loans	18,708,774	19,793,905
Reimbursements from Loan Reserve Fund	6,612,659	4,372,506
Collections on defaulted loans	933,965	177,852
NJCLASS student loan disbursements	(337,599,598)	(347,312,068)
FFELP student loan purchases	(172,671)	(19,536,848)
Loan Reserve Fund fee income	1,215,328	-
Annual insurance expense	(596,327)	(1,000,489)
Transaction fees	(112,017)	(1,021,050)
Loan servicing fees	(13,506,019)	(11,724,095)
Payments to Loan Reserve Fund	(730)	(848,645)
Repayment of government interest related to FFELP loans	(614,520)	(613,264)
Interest paid on bonds	(104,572,014)	(90,997,370)
Net cash used in operating activities	(213,534,401)	(280,950,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on bonds	(123,434,812)	(922,042,125)
Bond proceeds	-	1,151,491,125
Interest rate swap termination fees	(6,490,000)	(58,706,000)
Miscellaneous expense	-	(3,431)
Bond issuance costs	(244,025)	(4,696,428)
Financial instrument issuance costs	(41,354)	(47,217)
Net cash provided by (used in) financing activities	(130,210,191)	165,995,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases, sales proceeds and maturities, net	55,333,522	66,002,730
Arbitrage payments	-	(214,837)
Interest on investments	1,163,605	1,107,258
Net cash provided by investing activities	56,497,127	66,895,151
NET DECREASE IN CASH	(287,247,465)	(48,059,117)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	448,130,565	496,189,682
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 160,883,100	\$ 448,130,565

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

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STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2011 and 2010

	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Operating income	\$ 336,687	\$ 7,092,176
Adjustments to reconcile operating income to net cash used in operating activities:		
Bad debt expense	23,639,930	8,677,183
Net change in assets and liabilities:		
NJCLASS student loans receivable	(215,601,031)	(279,138,777)
FFELP student loans receivable	16,913,054	(1,271,547)
NJCLASS defaulted student loans	(27,167,234)	-
Interest receivable:		
NJCLASS student loans	638,609	(4,461,238)
FFELP student loans	100,880	(11,979)
Due from Loan Reserve Fund	(7,155,875)	(10,767,383)
Default collections receivable	(53,076)	(1,286)
Due from State General Fund	-	816
Due from loan servicing agents	88,955	(39,096)
Other receivables	-	5,430
Accrued interest payable - bonds	(4,877,876)	(470,461)
Fees payable	(234,819)	(476,693)
Due to Loan Reserve Fund	(162,605)	(87,337)
	<u>\$ (213,534,401)</u>	<u>\$ (280,950,192)</u>
NET CASH USED IN OPERATING ACTIVITIES		
NON-CASH FINANCING ACTIVITIES		
Amortization - bond issuance costs	\$ 2,340,311	\$ 6,135,665
Amortization - financial instrument issuance costs	82,675	171,543
Amortization - premium on bonds payable	(5,267,487)	(2,068,313)
Discount on acquisition of bonds	10,390,188	160,822,875
Gain on bond retirement	(10,390,188)	(160,822,875)
	<u>\$ (2,844,501)</u>	<u>\$ 4,238,895</u>
TOTAL NON-CASH FINANCING ACTIVITIES		

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

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Authority

The New Jersey Higher Education Student Assistance Authority (the “Authority” or “HESAA”) is a public body corporate and politic that is in, but not of, the Department of State of the State of New Jersey (the “State”) and is an instrumentality of the State.

The Authority was established by State legislation in 1999 to provide students and families with the financial and informational resources for students to pursue their education beyond high school. Prior to the act, the New Jersey Higher Education Assistance Authority, created by legislation in 1959, served as lender and guarantor of federally guaranteed student loans for New Jersey students. References herein to the Authority include the predecessor Authority where the context so requires.

Reporting Entity

The reporting entity is comprised of the New Jersey College Loans to Assist State Students (“NJCLASS”) Loan Program and the Federal Family Education Loan Program (“FFELP”) (collectively, the “Programs”). These financial statements present only the business-type activities of the NJCLASS and FFELP Loan Programs of the Authority and do not purport to, and do not present the financial position of the Authority as of June 30, 2011 and 2010, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NJCLASS Program

The NJCLASS Loan Program is a supplemental loan program initiated by the Authority in September 1991. The NJCLASS Loan Program offers an alternative source of financial support to students and their parents, spouses, legal guardians, or other relatives in meeting the costs of the student’s education at a degree-granting college or university. Since 1991, the Authority has issued bonds to fund student loans through this Program.

FFELP Loan Program

In 2001, the Authority expanded its use of debt financing by issuing bonds, with a portion of the proceeds allocated to purchase a portfolio of existing loans with a New Jersey nexus issued through the Federal Family Education Loan Program (“FFELP”). Using a portion of the proceeds of its 2001 through 2004 Bond Issues, the Authority has purchased portfolios of New Jersey nexus FFELP loans or FFELP Consolidation loans from other FFELP loan origination/servicing entities. The Authority is not the servicer on any of the FFELP loans acquired with NJCLASS/FFELP Bond proceeds but is the guarantor on a portion of its FFELP portfolio. The NJCLASS/FFELP Loan Program has also used bond proceeds to purchase portfolios of rehabilitated FFELP student loans from the portfolio of previously defaulted FFELP student loans held by the Authority as the New Jersey state guaranty agency, and to originate a small portfolio of FFELP loans for low income borrowers using a portion of the 2005 Bond proceeds.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FFELP Loan Program (Continued)

Title II of the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152) signed into law by President Barack Obama on March 30, 2010, contains various student loan reforms, including the termination of the process of the federal government paying set yields to private banks to originate federally insured loans and, instead, the loans will be administered directly by the U.S. Department of Education, effective July 1, 2010. As a result, the Authority will no longer originate or acquire FFELP Loans.

On May 7, 2010, the Authority transferred its entire portfolio of FFELP loans from the 2001, 2002, 2003, 2004 and 2005 issues to the 2010-FFELP issue.

Basis of Accounting

The Programs prepare their financial statements using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. The Governmental Accounting Standards Board is the accepted standards-setting body for establishing government accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards recognizes the following hierarchy; GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable and cleared by GASB; AICPA Practice Bulletins, if applicable and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standard Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority has elected not to follow FASB pronouncements issued after November 30, 1989. The Authority follows the hierarchy in determining accounting treatment. The Programs have elected to follow GASB pronouncements exclusively.

Operating Revenues and Expenses

The Programs' operating revenues consist of application/administrative fees for student loan originations as well as interest income earned on student loans. Operating expenses consist of loan service and transaction fees, bond interest, bad debt expense and other expenses related to NJCLASS and FFELP loans. All other revenues and expenses are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Investments

Investments are reflected at fair value. In accordance with the provisions of the bond indentures, the Authority is generally required to invest available monies in qualified investments. The bond indentures define qualified investments as:

- (1) Government obligations and any obligations of any state or political subdivision of a state (collectively, the "Municipal Bonds").
- (2) U.S. Government and certain other governmental agencies' obligations.
- (3) Insured certificates of deposit.
- (4) Other investments acceptable by the State of New Jersey and rated accordingly by either Standard and Poor's ("S&P"), Moody's or A.M. Best, including annuity contracts and repurchase agreements.

Use of Estimates in Preparing Financial Statements

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 and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes

The Authority is deemed to be an essential governmental function of the State and, as such, is exempt from federal income taxes. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Bond Issuance Costs

All costs associated with the issuance of bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method. For the 2008 and 2009 Bond Issues, issuance costs were paid from outside sources and consequently, are not reflected in these Financial Statements.

Bond Premiums and Discounts

Bond premiums are reported as deferred revenues (liabilities), and bond discounts are reported as deferred expense (assets). Bond premiums and discounts are amortized over the term of the related debt. The unamortized amount of premium and discount is shown as a net amount in the Liabilities section on the Statement of Net Assets. Amortization revenue and expense is recorded as bond interest expense in the Statement of Revenues, Expenses and Changes in Net Assets.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
 NJCLASS/FFELP LOAN PROGRAMS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010**

Financial Instruments

The Authority has entered into certain financial instrument agreements including interest rate swaps, caps and swaptions in connection with its Tax Exempt Variable Rate Bonds. These financial instruments are recorded at fair value on the statement of net assets. All separately identifiable costs associated with the issuance of financial instruments are amortized on a straight-line basis over the life of the financial instruments, which approximates the effective interest method.

Restricted Net Assets

In accordance with the terms of the various bond resolutions, the excess of assets over liabilities under such bond resolutions is classified as restricted net assets to be used for the purpose specified in the bond resolutions.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The NJCLASS/FFELP Loan Programs maintain their cash and cash equivalents balances primarily in trust accounts at one financial institution. As trust account balances, these funds are not available to the institution to meet its general financial obligations and are restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense, student loan disbursements and Program expenses. These funds are invested in a AAA-rated money market fund secured by U.S. government obligations.

Additionally, the Programs utilize lockbox accounts to clear cash receipts. Amounts on deposit in the NJCLASS lockbox accounts at Wachovia National Bank are collateralized by direct obligations of or obligations guaranteed by the United States or the State of New Jersey in accordance with New Jersey Statute 52:18-16 and New Jersey Department of Treasury policy.

The amounts on deposit in these cash accounts were as follows:

	June 30,	
	2011	2010
Lockbox Cash (Wachovia Bank)	\$ 4,843,672	\$ 3,479,111
Trust Accounts invested in		
Wells Fargo Advantage Heritage Money		
Market Fund	156,039,428	444,651,454
Total	\$ 160,883,100	\$ 448,130,565

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

The Programs' investments consist of annuity contracts, money market funds, and pooled cash management funds.

- Investment policies are defined in NOTES TO FINANCIAL STATEMENTS - 1. BASIS OF INVESTMENTS.

The debt service reserve accounts are restricted by the bond indentures for the payment of principal and/or interest on the bonds, to the extent other available monies held under the indentures are insufficient to pay the interest on the bonds or to meet any sinking fund requirements. The amounts in the debt service reserve accounts for the various bond issues, which are included in investments at June 30, 2011 and 2010, were \$36,273,700 and \$39,447,800, respectively.

The fair value of these investments approximates cost.

Investments - Custodial Credit Risk

The Authority invests a portion of its bond proceeds through guaranteed investment contracts with investment providers having a rating of A-1 or A (or the equivalent or better). These contracts have guaranteed rates of return; however, they are uninsured and uncollateralized. All companies in which Authority funds are invested are required by their contracts to notify the trustee in the event that their highest rating is withdrawn by a rating agency. The investment contract provider has the option of posting collateral for the invested funds with a third party until such time as its rating is restored or returning the investment with full accrual of interest and without penalty to the trustee for rebidding.

As of June 30, 2011 and 2010, the credit rating of MBIA, Inc., parent company of MBIA Investments, Inc., provider of the guaranteed investment contract for the HESAA 2000 Bonds, was rated A-2 by Moody's, Inc., and AA- by Standard & Poors, Inc. Under the terms of this investment agreement, MBIA posted collateral for the downgrade.

The amounts held in guaranteed investment contracts and the New Jersey Cash Management Fund at June 30, 2011 and 2010, respectively, are summarized below:

	<u>2011</u>	<u>2010</u>
Guaranteed Investment Contracts	\$ 37,242,081	\$ 91,406,834
New Jersey Cash Management Fund	<u>1,668,922</u>	<u>2,837,691</u>
Total	<u>\$ 38,911,003</u>	<u>\$ 94,244,525</u>

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments - Concentration of Credit Risk

"Concentration of Credit Risk" is the risk that relates to the amount of investment at any one entity. The disclosure requirement of this risk factor is limited to investments in excess of 5% of the total. Guaranteed investment contracts are the only category held by NJCLASS/FFELP subject to concentration of credit risk disclosure. Of all amounts invested in guaranteed investment contracts, the balances held by the following investment providers exceed this threshold as follows:

Bayern LB	8.17%
NATIXIS Funding Corp.	8.46%
Rabobank	7.10%
RBC Capital Markets	72.00%

These risks are mitigated by the collateral provisions of the guaranteed investment contracts that govern these investments.

Investments - Interest Rate Risk

- NJCLASS/FFELP investment policies, as described in NOTES TO FINANCIAL STATEMENTS - 1. BASIS OF INVESTMENTS, require balances to be maintained in high quality, low-risk investment options. All investment vehicles used by the Authority seek to maintain a stable price of \$1.00 per share. In these types of investments, it is highly unlikely that normal fluctuations in interest earnings on the underlying securities would cause a loss of principal. Consequently, NJCLASS/FFELP investments are not subject to interest rate risk.

NOTE 3 – STUDENT LOANS RECEIVABLE

The terms and conditions of the FFELP loans held by the Authority are governed by the federal rules and regulations of FFELP and various benefit programs extended by the original lender of these purchased loans.

NJCLASS loans originated by the Authority to eligible borrowers, as defined in the bond indentures and NJCLASS Program regulations, have the following repayment options:

- (1) To pay principal and interest monthly, beginning within 60 days of disbursement;
- (2) To pay only interest, quarterly, while the student is in school and thereafter to pay principal and interest monthly. (Beginning with loans originated in the 2010-11 Academic Year, this option was modified to require monthly, rather than quarterly interest payments while the student is in school); or
- (3) To defer principal and interest payments while the student is in school and thereafter to pay principal and interest monthly.

Under options 1 and 2 as defined above, the NJCLASS loans originated from 1991 through 2010 generally bear interest at rates ranging from 5.25% to 8.95%.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – STUDENT LOANS RECEIVABLE (CONTINUED)

Under option 3, deferred interest payments on loans funded from the 1991 through 1996 Bond Issues are added to the original loan balance on a quarterly basis. Deferred interest on loans funded from the 1997 through 2010-2 Issues is added to the original loan balance on an annual basis. Under this option, rates range from 5.55% to 9.25%.

Loans originally funded from the 1997 Series B and 1999 Series B Bonds that have been refunded by the 2003 Series E Bonds, as well as new loans funded from 2003 Series E Bonds, allowed for the issuance of non-credit-based variable rate loans to qualifying graduate students. Any loans funded from these issues that were disbursed on June 1, 2001, or later are subject to an interest rate cap of 9%. This program was discontinued in 2006.

For NJCLASS loans approved between June 1, 2001 and August 7, 2008, borrowers who chose options 1 and 2, and have entered full repayment have the option to receive a .50 % interest rate reduction in exchange for making Automated Clearing House payments. This interest rate reduction was discontinued for all loans made after August 7, 2008.

In June 2005, HESAA initiated an NJCLASS Consolidation Loan Program that allows existing NJCLASS borrowers who are out of school or withdrawn to consolidate their existing NJCLASS loans. The NJCLASS Consolidation Loan offers terms of either 25 or 30 years, depending on the dollar amount. The interest rate is a blended rate derived from the rates on the underlying loans being consolidated. Beginning with loans consolidated after June 1, 2010, an additional .25% is added to the blended rate on consolidation loans.

Effective June 1, 2006, HESAA made several changes to the NJCLASS Loan program, initially applicable to the 2006-2007 through 2010-11 Academic Years. The repayment term for its Fixed Rate Standard NJCLASS Loans was increased from 15 years to 20 years, the application fee for Fixed Rate Standard NJCLASS Loans and Graduate/Professional NJCLASS Loans was reduced from 3% to 2%, and new Graduate/Professional NJCLASS Loans were originated at a fixed interest rate, as opposed to the variable rate subject to annual reset that was applied to loans originated in previous years.

For the 2011-12 academic year, new Fixed Rate Standard option 1 & 2 NJCLASS loans issued with proceeds of the 2011-1 Bonds will have the repayment term reduced to 15 years, while the option 3 loans will continue to feature a 20 year term. Fixed Rate Standard NJCLASS loans have traditionally featured an interest rate that was .3% higher for option 3 loans. For the 2011-12 academic year, the interest rate differential will be .65%, with an initial rate of 7.35% for option 1 & 2 and 8.00% for option 3.

Beginning with the 2010-11 Academic Year, NJCLASS loans originated under repayment option 3 required the payment of an additional 1% into the Loan Reserve Fund at the time of disbursement. This additional fee was paid from Authority reserves outside the Loan Programs, not by the borrower. Beginning with the 2011-12 academic year, it will be deducted from the loan proceeds available to the borrower.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – STUDENT LOANS RECEIVABLE (CONTINUED)

In 2009, the Authority introduced the Med/NJ program, an NJCLASS loan for students working toward a MD, DO, DDS or DMD degree. This program offers a 25-year repayment term and a special 3-year residency deferment. For borrowers choosing deferment of principal and interest while in school, interest is capitalized at graduation and at the end of the residency period. For the 2010-11 and 2011-12 Academic Years, these loans will bear a fixed interest rates of 8.17% and 7.85%, respectively, for borrowers who initially choose either to make monthly repayment of principal and interest or make quarterly interest payments while in school. Loans for borrowers who defer payment of principal and interest will carry an initial rate of 8.47% and 8.15%, respectively.

Concurrent with the issuance of the 2010-2 Bonds, the Authority introduced the 10-year fixed rate NJCLASS Student Loan program. These student loans (known as Ten Year Option 1 Loans) offer only option 1 repayment (immediate payment of principal and interest) following disbursement. Only limited deferment or forbearance options will be permitted under the terms of the Ten Year Option 1 Loans. For the 2010-11 and 2011-12 Academic Years, these loans will offer an initial interest rate of 5.9% and 6.6% respectively.

Loan Servicing

In conjunction with the Authority's servicing of the student loans, the NJCLASS Loan Program remits to the Authority certain fees for Program administration, which are paid from Program revenues. For the years ended June 30, 2011 and 2010, \$11,193,758 and \$8,824,299 of servicing fees, respectively, were included in loan servicing fees charged to the NJCLASS Loan Program. In connection with its portfolios of existing loans, FFELP pays certain fees for Program administration, which are payable from Program revenues. For the years ended June 30, 2011 and 2010, the fees include administrative expenses of \$672,740 and \$722,991, respectively, paid to the Authority and fees paid to servicing agents of \$712,927 and \$894,731, respectively. In addition, for the years ended June 30, 2011 and 2010, loan consolidation rebate fees of \$1,012,815 and \$1,064,497, respectively, were paid to the United States Department of Education. Premium expense on purchases of FFELP loans for the years ended June 30, 2011 and 2010 amounted to \$0 and \$162,015, respectively, due to the discontinuance of FFELP rehabilitation loan purchases during fiscal 2010.

Loan Defaults/Loan Reserve Fund

Under the NJCLASS Loan Program, when a student loan payable in monthly installments reaches 180 days of delinquency or when a student loan payable in installments less frequent than monthly reaches 240 days of delinquency, the Authority will declare the respective loan "in default."

The Authority has established loan default reserve funds to stabilize the impact of loan defaults in the NJCLASS Loan Program. These are funded from sources other than the proceeds of the bonds in the dollar amounts or percentage of original loan principal specified by the appropriate master indenture.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – STUDENT LOANS RECEIVABLE (CONTINUED)

Loan Defaults/Loan Reserve Fund (Continued)

The Loan Reserve Fund is a separate fund established by the Authority to protect the interests of NJCLASS bondholders by reimbursing the various HESAA bond issues when loans default. Amounts subsequently received relative to defaulted student loans are used to replenish the Loan Reserve Fund to the extent of 70% of recoveries. The Authority retains the remaining 30% as a collection fee.

For the 1998 and 2008 Master Indentures, this fund is not part of the NJCLASS Loan Program, thus it is not included in the accompanying financial statements. For the 2009, 2010-1 and 2010-2 Indentures, the loan reserve funds are part of these respective indentures. Consequently, loan reserve activity for these bond issues is included in the accompanying financial statements and shown in the Combining Statements presented in the Supplementary Information section.

During fiscal years ended 2011 and 2010, claims paid by the external loan reserve funds established for the 1998 and 2008 Indentures totalled \$6,933,182 and \$4,848,692, respectively, and new claims for the same periods totalled \$14,089,058 and 15,149,937. As of June 30, 2011 and 2010, the balances due from the external loan reserve funds to cover defaulted loans totalled \$35,083,035 and \$27,927,160, respectively.

For the fiscal years 2011 and 2010, claims paid by the internal loan reserve funds established for the 2009, 2010-1 and 2010-2 Indentures, which are included within the NJCLASS/FFELP Loan Programs Financial Statements, totalled \$6,812,593 and \$139,982 respectively, and new claims for the same periods totalled \$32,449,472 and \$513,421. As of June 30, 2011 and 2010, the balances due from these loan reserve funds to cover defaulted loans totalled \$26,017,308 and \$380,429 respectively. Amounts due to and from these internal loan reserve funds are eliminated in the Statements of Net Assets, but are shown in the Combining Schedules of Net Assets.

The Authority considers most of the amount due from its NJCLASS Loan Reserve Fund to be collectible. However, because the ability to pay claims from the Loan Reserve Fund is partially dependent on collections on defaulted loans, management continually evaluates the cash flows of the Loan Reserve Fund to determine its ability to reimburse the bond issues on a timely basis. During the fiscal years 2011 and 2010, based on past collections experience and an analysis of the current receivable from the Loan Reserve Fund, management recorded additional allowances for doubtful accounts in the amount of \$22,553,515 and \$17,997,530, respectively, against the June 30, 2011 and 2010, amounts due from the Loan Reserve Fund.

In addition, the Loan Reserve Fund receives 1% of the loan amount disbursed from the application fee paid by the borrower. During the years ended June 30, 2011 and 2010, amounts of \$3,687,587 and \$3,573,484, respectively, were paid to the Loan Reserve Fund maintained by the Authority from loan application fees. As of June 30, 2011 and 2010, the balances due to the Loan Reserve Fund from loan application fees and default collections totalled \$395,600 and \$558,205, respectively.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4- USE OF FINANCIAL INSTRUMENTS

The Authority has entered into financial instrument Swap and Cap Agreements (the "Agreements") with various counterparties in connection with its Tax Exempt Variable Rate Bonds, also known as Auction Rate Certificates ("ARCs"), issued between 2001 and 2007 to support its NJCLASS loan program.

Under the terms of the Agreements, the Authority pays a fixed rate of interest on pre-established notional amounts. In return, the Authority receives the USD-SIFMA Index rate as calculated weekly, which historically has closely tracked the variable interest rates generated in the ARC market. The purpose of the Agreements are to provide an asset/liability match for the Authority's fixed-rate NJCLASS loans being funded through the proceeds of the variable rate ARC bonds.

The purpose of the interest rate Cap agreements is to allow the Authority to cap the variable rate of interest on NJCLASS variable rate loans funded at 9%, a benefit comparable with maximum rates of the federal PLUS program. The Cap agreement initiated on May 29, 2001, provides for payment to the Authority if market interest rates, as determined by the floating index, which is 65% of the 12-Month LIBOR, increase above 6.40%. The Cap agreement initiated on May 27, 2003, provides for payment to the Authority if market interest rates, as determined by the floating index, which is 72% of USD LIBOR, increase above 6.15%.

As governed by the amortization schedules contained in each of these Agreements, the notional amount of each Swap or Cap increases to a maximum, then amortizes to a minimum value before a fixed termination date, to match the anticipated changes in the outstanding balances of the related student loans.

The Swap agreements for certain bond years contain a feature that gives HESAA the option to terminate either a single or all Swaps related to that issue on or after a predetermined date. This financial instrument is classified as a "Swaption." The fair values of these Swaptions are separately listed on the following schedules if separately reported by the swap provider; otherwise, they are included in the fair market value of the Swap and reported as an asset and liability on the Statement of Net Assets.

The Authority has determined that the Swaps and Swaptions are cash flow hedges and has tested hedge effectiveness using the dollar offset method. All of the Swaps and Swaptions have been found to be effective, and therefore the fair value of the Swaps has been recorded as an asset (Deferred outflow) and a liability on the statement of net assets.

The interest rates, notional amounts, provider (or counterparty), fair values and termination dates for each ARC bond issue and financial instrument agreement outstanding at June 30, 2011 and 2010, are detailed in the following schedules.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 4 – USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2011

Transaction Type	Bond Issue	Fixed Rate	Notional Amount (2)	Fair Value (1)(2)	Provider	Settlement Occur	Termination Date	Amortized To
Sw ap	2002	4.2005%	\$ 37,100,000	\$ 3,680,379	J.P. Morgan	Semi-annually	06/01/17	\$ -
Sw ap		3.2970%	22,665,000	1,549,744	J.P. Morgan	Semi-annually	06/01/17	-
		Total	<u>59,765,000</u>	<u>5,230,123</u>				
Sw ap	2003	3.1710%	43,000,000	2,703,434	UBS AG	Semi-annually	12/01/18	-
Sw ap		3.1710%	43,000,000	2,703,434	Citigroup	Semi-annually	12/01/18	-
Cap		6.4000%	3,300,000	(7,866)	UBS AG	Semi-annually	06/01/19	-
Cap		6.1500%	10,350,000	(123,623)	UBS AG	Annually	06/01/28	-
Cap		0.3930%	-	313,954	UBS AG	Annually	06/01/28	-
		Total	<u>99,650,000</u>	<u>5,589,333</u>				
Sw ap	2004	4.1480%	14,236,000	1,484,545	Citigroup	Semi-annually	12/01/19	-
Sw ap ^{tion}			-	(1,204,762)	Citigroup		12/01/19	-
		Total	<u>14,236,000</u>	<u>279,783</u>				
Sw ap	2006	4.4750%	15,450,000	2,396,936	Citigroup	Semi-annually	12/01/31	-
Sw ap ^{tion}			-	(507,083)	Citigroup		12/01/31	-
		Total	<u>15,450,000</u>	<u>1,889,853</u>				
Sw ap	2007	4.0970%	26,895,000	3,325,247	Citigroup	Semi-annually	06/01/36	-
Sw ap ^{tion}			-	(1,004,878)	Citigroup		06/01/36	-
Sw ap		4.0970%	24,055,013	2,973,951	UBS AG	Semi-annually	06/01/36	-
Sw ap ^{tion}			-	(898,752)	UBS AG		06/01/36	-
		Total	<u>50,950,013</u>	<u>4,395,568</u>				
		Grand Total	<u><u>\$ 240,051,013</u></u>	<u><u>\$ 17,384,660</u></u>				

(1) All fair values that result in a positive value to the sw ap provider are show n as positive amounts.

All fair values that result in a positive value to HESAA are show n as negative amounts.

(2) The Sw aps for the 2007 Bond Issue are partially allocated to the 2001, 2003, 2004, and 2005 Bond Issues.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 – USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2010

Transaction Type	Bond Issue	Fixed Rate	Notional Amount (2)	Fair Value (1)(2)	Provider	Settlement Occur	Termination Date	Amortized To
Sw ap	2001	4.6830%	\$ 32,745,000	\$ 3,611,244	UBS AG	Semi-annually	06/01/16	\$3,995,000
Sw ap		4.0175%	29,280,000	2,577,136	UBS AG	Semi-annually	06/01/16	3,565,000
		Total	<u>62,025,000</u>	<u>6,188,380</u>				
Sw ap	2002	4.2005%	43,100,000	4,338,525	J.P. Morgan	Semi-annually	06/01/17	5,100,000
Sw ap		3.2970%	26,260,000	1,734,125	J.P. Morgan	Semi-annually	06/01/17	2,760,000
		Total	<u>69,360,000</u>	<u>6,072,651</u>				
Sw ap	2003	3.1710%	49,000,000	2,925,537	UBS AG	Semi-annually	12/01/18	3,000,000
Sw ap		3.1710%	49,000,000	2,804,314	Citigroup	Semi-annually	12/01/18	3,000,000
Cap		0.3930%	11,850,000	164,154	UBS AG	Annually	06/01/28	-
Cap		6.4000%	4,650,000	(9,978)	UBS AG	05/19/01	06/01/19	1,300,000
		Total	<u>114,500,000</u>	<u>5,884,026</u>				
Sw ap	2004	4.1480%	15,895,809	1,626,368	Citigroup	Semi-annually	12/01/19	3,250,000
Sw ap option			-	(310,332)	Citigroup		12/01/09	
		Total	<u>15,895,809</u>	<u>1,316,036</u>				
Sw ap	2006	4.4750%	15,450,000	2,410,144	Citigroup	Semi-annually	06/01/31	1,000,000
Sw ap option			-	(467,068)	Citigroup		06/01/31	
		Total	<u>15,450,000</u>	<u>1,943,076</u>				
Sw ap	2007	4.0970%	26,895,000	3,301,763	Citigroup	Semi-annually	06/01/36	135,000
Sw ap		4.0970%	24,055,013	3,037,669	UBS AG	Semi-annually	06/01/36	595,000
Sw ap option			-	(960,837)	Citigroup		06/01/36	
Sw ap option			-	(853,701)	UBS AG		06/01/36	
		Total	<u>50,950,013</u>	<u>4,524,894</u>				
		Grand Total	<u><u>\$ 328,180,822</u></u>	<u><u>\$ 25,929,063</u></u>				

(1) All fair values that result in a positive value to the sw ap provider are show n as positive amounts.
All fair values that result in a positive value to HESAA are show n as negative amounts.

(2) The Sw aps for the 2007 Bond Issue are partially allocated to the 2001, 2003, 2004, and 2005 Bond Issues.

NOTE 5 – BONDS PAYABLE

The Authority has issued bonds to support its loan programs. All bonds described herein are limited obligations of the Authority, payable solely from the assets of the NJCLASS/FFELP Trust Estate ("Trust Estate"), as described in the official statement of each bond issue. In addition to the assets or funds of the Trust Estate, all bonds issued from 1998 through 2008 are covered by municipal bond insurance policies guaranteeing payment of principal and interest in the event of

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default by the Authority. None of the Authority's assets or funds (other than the Trust Estate) are pledged as security for the bonds.

Bonds Outstanding

The following schedules present summarized information relating to the interest rates and future maturities of the bonds outstanding as of June 30, 2011 and 2010:

Bonds Outstanding June 30, 2011

Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2011	Maturity Dates	Bonds Outstanding (in thousands)			Bonds Outstanding (in thousands) June 30, 2011		Amounts Due within One Year
			June 30, 2010	Additions	Reductions	June 30, 2011		
1998, Series A Serial Student Loan Revenue Bonds	5.05%-5.30%	6/1/12-6/1/17	\$ 19,755	\$ -	\$ (2,245)	\$ 17,510	\$ 17,510	
1999, Series A Student Loan Revenue Bonds	5.00%-5.25%	6/1/12-6/1/18	15,560	-	(1,510)	14,050	1,605	
2000, Series A Student Loan Revenue Bonds	5.90%-6.15%	6/1/12-6/1/19	22,055	-	(2,285)	19,770	6,000	
2001, Series A through D Student Loan Revenue Bonds (12)	0.00% (ARCs)	6/1/2036	3,000	-	(3,000)	-	-	
2002, Series A through D Student Loan Revenue Bonds (2)	0.064%-0.49% (ARCs)	6/1/2037	4,200	-	(450)	3,750	-	
2003, Series A through D Student Loan Revenue Bonds (2)	0.438%-0.508% (ARCs)	5/28/2038	86,300	-	(36,700)	49,600	-	
2004, Series A through D Student Loan Revenue Bonds (2)	0.07%-0.543% (ARCs)	4/1/2039	74,050	-	(40,000)	34,050	-	
2005, Series A through D Student Loan Revenue Bonds (2)	0.438%-0.578% (ARCs)	5/1/2040	41,350	-	(2,050)	39,300	-	
2006, Series A through D Student Loan Revenue Bonds (2)	0.053%-0.49% (ARCs)	12/1/2040	7,150	-	(925)	6,225	-	
2007, Series A through D Student Loan Revenue Bonds (2)	0.096%-0.578% (ARCs)	12/1/2041	5,725	-	(2,650)	3,075	-	
2008, Series A Student Loan Revenue Bonds	5.875%-6.125%	6/1/2021, 6/1/2030	350,000	-	(19,405)	330,595	-	
2009, Series A Student Loan Revenue Bonds	3.625%-5.625%	6/1/2013-6/1/2030	450,000	-	-	450,000	-	
2010-1, Series A & B Student Loan Revenue Bonds	2.00%-5.40%	12/1/2011-12/1/2037	713,000	-	-	713,000	4,000	
2010, Series FFELP Student Loan Revenue Bonds (3)	0.686715%-1.336715%	6/1/2020-6/1/2036	145,000	-	(22,605)	122,395	3,000	
2010-2 Student Loan Revenue Bonds	2.50%-5.00%	12/1/2012-12/1/2036	280,000	-	-	280,000	-	
Totals			<u>\$ 2,217,145</u>	<u>\$ -</u>	<u>\$ (133,825)</u>	<u>\$ 2,083,320</u>	<u>\$ 32,115</u>	

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NOTE 5 – BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bonds Outstanding June 30, 2010							
Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2010	Maturity Dates	Bonds Outstanding (in thousands) June 30, 2009	Additions	Reductions	Bonds Outstanding (in thousands) June 30, 2010	Amounts Due within One Year
1998, Series A Serial Student Loan Revenue Bonds	5.05%-5.30%	6/1/11-6/1/17	\$ 21,890	\$ -	\$ (2,135)	\$ 19,755	\$ 2,245
1999, Series A Student Loan Revenue Bonds	5.00%-5.25%	6/1/11-6/1/18	16,980	-	(1,420)	15,560	1,510
2000, Series A Student Loan Revenue Bonds	5.90%-6.15%	6/1/11-6/1/19	24,340	-	(2,285)	22,055	2,285
2001, Series A through D Student Loan Revenue Bonds (2)	0.70%-0.805% (ARCs)	6/1/2036	129,150	-	(126,150)	3,000	3,000
2002, Series A through D Student Loan Revenue Bonds (2)	0.665%-0.753% (ARCs)	6/1/2037	105,500	-	(101,300)	4,200	-
2003, Series A through D Student Loan Revenue Bonds (2)	0.718%-0.788% (ARCs)	5/28/2038	157,600	-	(71,300)	86,300	-
2004, Series A through D Student Loan Revenue Bonds (2)	0.158%-0.805% (ARCs)	4/1/2039	200,000	-	(125,950)	74,050	-
2005, Series A through D Student Loan Revenue Bonds (2)	0.700%-0.805% (ARCs)	5/1/2040	219,550	-	(178,200)	41,350	-
2006, Series A through D Student Loan Revenue Bonds (2)	0.700%-0.805% (ARCs)	12/1/2040	219,050	-	(211,900)	7,150	-
2007, Series A through D Student Loan Revenue Bonds (2)	0.224%-0.525% (ARCs)	12/1/2041	267,950	-	(262,225)	5,725	-
2008, Series A Student Loan Revenue Bonds	5.875%-6.125%	6/1/2021, 6/1/2030	350,000	-	-	350,000	-
2009, Series A Student Loan Revenue Bonds	3.625%-5.625%	6/1/2013-6/1/2030	450,000	-	-	450,000	-
2010-1, Series A & B Student Loan Revenue Bonds	2.00%-5.40%	12/1/2011-12/1/2037	-	713,000	-	713,000	-
2010, Series FFELP Student Loan Revenue Bonds (3)	0.686715%-1.336715%	6/1/2020-6/1/2036	-	145,000	-	145,000	13,558
2010-2 Student Loan Revenue Bonds	2.50%-5.00%	12/1/2012-12/1/2036	-	280,000	-	280,000	-
Totals			<u>\$ 2,162,010</u>	<u>\$ 1,138,000</u>	<u>\$ (1082,865)</u>	<u>\$ 2,217,145</u>	<u>\$ 22,598</u>

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NOTE 5 – BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

- (1) Bond Issue is Fully Retired
- (2) All 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Series A through D Student Loan Revenue Bonds were issued as Auction Rate Certificates (“ARCs”). These Bonds carry floating interest rates. After a uniform initial rate and varying durations by series were set at the issue date, rates are reset every 35 days at a separate auction for each series. The interest rate ranges stated in the table are as of June 30, 2011.
- (3) The 2010-FFELP Bonds are Tax Exempt LIBOR Floating Rate Bonds, consisting of Class A-1 & Class A-2 Bonds. The interest rate on the Class A-1 Bonds is 100% of 3 Month LIBOR plus .30%, and the rate on the Class A-2 Bonds is 100% of 3 Month LIBOR plus .95%. Interest is paid quarterly.

Redemption Provisions

The supplemental indentures for each bond issue define the terms under which bond redemptions are to occur. Specific information and requirements governing each type of redemption are defined in the sections on redemption provisions below. These sections are followed by a cumulative schedule of bonds issued, bonds accreted, redemptions by type and bond issue since the inception of the NJCLASS Program in 1991, as well as bonds outstanding at June 30, 2011.

Extraordinary Redemptions

Provisions governing the extraordinary redemption of bonds prior to maturity are included in the redemption provisions sections of the indentures for all bonds issued during the years 1991 through 2000, as well as 2008 and 2009. Where applicable, these early redemptions are permitted under the Extraordinary Redemption from Unexpended Proceeds, the Special Redemption, Extraordinary Redemption from Excess Revenues, Special Optional Redemption from Excess revenues and Special Mandatory Redemption from Excess Revenues sections of the indentures or supplemental indentures. All bonds retired under the Extraordinary Redemption provisions are redeemable at par.

Optional Redemptions

Each indenture also contains provisions for the optional redemptions of NJCLASS fixed rate bonds. For the 1998 through 2000 Bond Issues, the Authority is precluded from doing optional redemptions for the first ten years of each issue. From the eleventh to thirteenth years, the prices for optional redemptions by the Authority range from 102% to 100% (par) of the face amount, with the premium amounts decreasing to par in annual decrements over this two-year period.

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NOTE 5 – BONDS PAYABLE (CONTINUED)

Optional Redemptions (Continued)

All 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Bonds are eligible for redemption prior to maturity at any time upon ten days' notice at par plus accrued interest, as long as they remain outstanding as ARCs or are converted to variable rate bonds. If they are converted to a fixed rate, they can be redeemed at any time following the tenth anniversary date of conversion to a fixed rate upon not less than 30 days' notice. If redeemed in the eleventh and twelfth years at the fixed rate, redemption prices include premium amounts of 102% and 101%, respectively, decreasing to par after twelve years.

The 2008 and 2009 Series A Bonds maturing prior to June 1, 2019 and June 1 2020, respectively, are not subject to optional redemption prior to maturity. The 2008 and 2009 Series A Bonds maturing after the aforementioned dates are subject to redemption, at the option of the Authority, on any date on or after June 1, 2018 and June 1, 2019, respectively, at 100% of the principal amount plus accrued interest.

The 2010-1A Bonds maturing prior to December 1, 2020, are not subject to optional redemption prior to maturity. The Series 2010-1A Bonds maturing on or after December 1, 2020, are subject to redemption prior to their respective maturities, at the option of the Authority after December 1, 2019 at par, plus accrued interest. The Series 2010-1B Bonds are not subject to redemption prior to maturity.

The 2010-2 Bonds maturing prior to December 1, 2021, are not subject to optional redemption prior to maturity. The Series 2010-1A Bonds maturing on or after December 1, 2021, are subject to redemption prior to their respective maturities, at the option of the Authority after December 1, 2020, at par, plus accrued interest.

Scheduled Maturities

Since the inception of the NJCLASS/FFELP Programs in 1991, the supplemental indentures applicable to each bond issue have included schedules containing the maturity dates of the various CUSIPs within each bond issue.

As governed by the indenture for each issue and series for the years 1998 through 2000, as well as 2008 and 2009, mandatory sinking fund redemptions prior to maturity, in part, by lot are required. The amounts of sinking fund redemptions for the fiscal years 2012 through 2016 and thereafter are included in the maturity schedule shown on pages 26 and 27.

Cumulative Redemptions

The following schedule presents summarized information by bond issue relating to all types of bond redemptions from the inception of the NJCLASS/FFELP Program in 1991 to the financial statement date.

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NOTE 5 – BONDS PAYABLE (CONTINUED)

Cumulative Schedule of Bond Redemptions at June 30, 2011

Bond Issue	Original Principal	Semi-Annual Accretion	Scheduled Maturity	Excess Revenue Redemption	Unexpended Proceeds Redemption	Optional Redemption	Special Redemption	Bond Tender (1)	Refunded	Current Principal Outstanding at June 30, 2011
1991	\$ 24,996,064	\$ 3,562,871	\$ (5,910,000)	\$ (20,468,935)	\$ (2,180,000)	\$ -	\$ -	\$ -	\$ -	-
1992	35,000,000	-	(12,730,000)	(22,270,000)	-	-	-	-	-	-
1993	20,000,000	-	(6,105,000)	(13,475,000)	(420,000)	-	-	-	-	-
1995	15,000,000	-	(4,025,000)	(10,975,000)	-	-	-	-	-	-
1996	18,000,000	-	(4,450,000)	(11,015,000)	-	(2,535,000)	-	-	-	-
1997A	25,000,000	-	(4,500,000)	(17,350,000)	-	(3,150,000)	-	-	-	-
1997B	12,000,000	-	-	-	-	-	-	-	(12,000,000)	-
1998	80,000,000	-	(9,445,000)	(53,045,000)	-	-	-	-	-	17,510,000
1999A	50,000,000	-	(5,020,000)	(25,830,000)	-	-	(5,100,000)	-	-	14,050,000
1999B	12,000,000	-	-	-	-	-	-	-	(12,000,000)	-
2000	70,000,000	-	(12,935,000)	(29,530,000)	-	-	(7,765,000)	-	-	19,770,000
2001	190,000,000	-	-	-	-	(3,000,000)	(60,850,000)	(126,150,000)	-	-
2002	166,000,000	-	-	-	-	-	(60,700,000)	(101,550,000)	-	3,750,000
2003	212,000,000	-	-	-	-	-	(54,400,000)	(108,000,000)	-	49,600,000
2004	200,000,000	-	-	-	-	-	-	(165,950,000)	-	34,050,000
2005	225,000,000	-	-	-	-	-	(5,500,000)	(180,200,000)	-	39,300,000
2006	225,000,000	-	-	-	-	-	(29,375,000)	(189,400,000)	-	6,225,000
2007	275,000,000	-	-	-	-	-	(16,225,000)	(255,700,000)	-	3,075,000
2008	350,000,000	-	-	-	(19,405,000)	-	-	-	-	330,595,000
2009	450,000,000	-	-	-	-	-	-	-	-	450,000,000
2010-1	713,000,000	-	-	-	-	-	-	-	-	713,000,000
2010-FFELP	145,000,000	-	-	(22,605,000)	-	-	-	-	-	122,395,000
2010-2	280,000,000	-	-	-	-	-	-	-	-	280,000,000
Totals	\$ 3,792,996,064	\$ 3,562,871	\$ (65,120,000)	\$ (226,563,935)	\$ (22,005,000)	\$ (8,685,000)	\$ (239,915,000)	\$ (1,126,950,000)	\$ (24,000,000)	\$ 2,083,320,000

(1) Bond Tenders are purchases in Lieu of Redemption resulting in bond retirements.

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NOTE 5 – BONDS PAYABLE (CONTINUED)

Cumulative Schedule of Bond Redemptions at June 30, 2010

Bond Issue	Original Principal	Semi-Annual Accretion	Scheduled Maturity	Excess Revenue Redemption	Unexpended Proceeds Redemption	Optional Redemption	Special Redemption	Bond Tender (1)	Refunded	Current Principal Outstanding at June 30, 2010
1991	\$ 24,996,064	\$ 3,562,871	\$ (5,910,000)	\$ (20,468,935)	\$ (2,180,000)	\$ -	\$ -	\$ -	\$ -	\$ -
1992	35,000,000	-	(12,730,000)	(22,270,000)	-	-	-	-	-	-
1993	20,000,000	-	(6,105,000)	(13,475,000)	(420,000)	-	-	-	-	-
1995	15,000,000	-	(4,025,000)	(10,975,000)	-	-	-	-	-	-
1996	18,000,000	-	(4,450,000)	(11,015,000)	-	(2,535,000)	-	-	-	-
1997A	25,000,000	-	(4,500,000)	(17,350,000)	-	(3,150,000)	-	-	-	-
1997B	12,000,000	-	-	-	-	-	-	-	(12,000,000)	-
1998	80,000,000	-	(7,200,000)	(53,045,000)	-	-	-	-	-	19,755,000
1999A	50,000,000	-	(3,510,000)	(25,830,000)	-	-	(5,100,000)	-	-	15,560,000
1999B	12,000,000	-	-	-	-	-	-	-	(12,000,000)	-
2000	70,000,000	-	(10,650,000)	(29,530,000)	-	-	(7,765,000)	-	-	22,055,000
2001	190,000,000	-	-	-	-	-	(60,850,000)	(126,150,000)	-	3,000,000
2002	166,000,000	-	-	-	-	-	(60,500,000)	(101,300,000)	-	4,200,000
2003	212,000,000	-	-	-	-	-	(54,400,000)	(71,300,000)	-	86,300,000
2004	200,000,000	-	-	-	-	-	-	(125,950,000)	-	74,050,000
2005	225,000,000	-	-	-	-	-	(5,500,000)	(178,150,000)	-	41,350,000
2006	225,000,000	-	-	-	-	-	(29,300,000)	(188,550,000)	-	7,150,000
2007	275,000,000	-	-	-	-	-	(16,225,000)	(253,050,000)	-	5,725,000
2008	350,000,000	-	-	-	-	-	-	-	-	350,000,000
2009	450,000,000	-	-	-	-	-	-	-	-	450,000,000
2010-1	713,000,000	-	-	-	-	-	-	-	-	713,000,000
2010-FFELP	145,000,000	-	-	-	-	-	-	-	-	145,000,000
2010-2	280,000,000	-	-	-	-	-	-	-	-	280,000,000
Totals	\$3,792,996,064	\$ 3,562,871	\$ (59,080,000)	\$ (203,958,935)	\$ (2,600,000)	\$ (5,685,000)	\$ (239,640,000)	\$ (1,044,450,000)	\$ (24,000,000)	\$ 2,217,145,000

(1) Bond Tenders are purchases in Lieu of Redemption resulting in bond retirements.

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NOTE 5 – BONDS PAYABLE (CONTINUED)

**Conversion of 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Bonds –
Auction Rate Certificates - to Fixed Interest Rate or Variable Interest Rate**

As required by the Fourth (for 2001), Fifth (for 2002), Sixth (for 2003), Seventh (for 2004), Eighth (for 2005), Ninth (for 2006) or Tenth (for 2007) Supplemental Indentures to the 1998 Indenture of Trust, the ARCs may be converted to fixed rate or variable rate bonds prior to their final maturities. More than one fixed rate may be established to apply to the 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds, taking into account the scheduled maturity dates. The fixed rate selected must cause the converted bonds to sell at par. For conversions to a variable rate, the interest rate period must be one year or less.

Any 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds to be converted to fixed rate or variable rate bonds shall be subject to mandatory tender for purchase on the fixed or variable rate conversion date, at par plus accrued interest.

The Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and/or Tenth Supplemental Indentures may be amended by supplemental indentures to modify the provisions for optional redemption of the 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds.

Future Maturities and Sinking Fund Requirements

Future maturities of bonds payable, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 32,115,000	\$ 98,870,216	\$ 130,985,216
2013	81,795,000	97,819,881	179,614,881
2014	83,020,000	95,543,120	178,563,120
2015	106,580,000	92,344,621	198,924,621
2016	109,940,000	87,940,658	197,880,658
2017-2021	547,235,000	371,987,565	919,222,565
2022-2026	288,500,000	260,399,222	548,899,222
2027-2031	575,915,000	151,573,170	727,488,170
2032-2036	9,000,000	32,845,551	41,845,551
2037-2041	246,145,000	15,003,840	261,148,840
2042 and after	3,075,000	52,809	3,127,809
Total	<u>\$ 2,083,320,000</u>	<u>\$ 1,304,380,653</u>	3,387,700,653
Less amount representing interest			<u>1,304,380,653</u>
Net minimum principal payments			<u>\$ 2,083,320,000</u>

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NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – BONDS PAYABLE (CONTINUED)

Bond Premium and Discount

Bond premium and discount amounts have been recorded in connection with the issuance of the Authority's 2009 Series A Bonds, 2010-1 Bonds and 2010-2 Bonds. Bond premiums are reported as deferred revenues (liabilities), and bond discounts are reported as deferred expense (assets). Bond premiums and discounts are amortized over the term of the related debt. The unamortized amount of premium and discount is shown as a net amount in the Liabilities section on the Statement of Net Assets, and amortization revenue and expense is credited or charged to bond interest expense in the Statement of Revenues, Expenses and Changes in Net Assets. Related amounts as of June 30, 2011 are as follows:

Bond premium	\$ 30,264,622
Accumulated amortization	(7,796,932)
Total unamortized bond premium	<u>\$ 22,467,690</u>
Amortization revenue	<u>\$ 5,584,360</u>
Bond discount	\$ 4,208,781
Accumulated amortization	(447,397)
Total unamortized bond discount	<u>\$ 3,761,384</u>
Amortization expense	<u>\$ 316,874</u>
Net	<u><u>\$ 18,706,306</u></u>

Risk of Bond Interest Rate Fluctuations

All Authority 2001 through 2007 Bonds are ARCs, and thus are subject to periodic rate reset, resulting in a risk that the cost of debt service on bonds, which is the largest expenditure of the program, will exceed revenues earned from principal and interest payments on the fixed rate student loans, its largest revenue source. Disruptions in the bond market since the latter half of the 2008 fiscal year have resulted in failed auctions of these bonds. When an auction fails, all bond holders prior to the auction are required to hold them for the next auction period, at the "All Hold" rate, which is the lesser of the maximum rate permitted under the supplemental indenture, or an index rate that is based on either the After Tax Equivalent Rate or the Kenny index, multiplied by an "Applicable Percentage," as defined in the supplemental indenture of each bond issue.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 5 – BONDS PAYABLE (CONTINUED)

Risk of Bond Interest Rate Fluctuations (Continued)

As a result, the variable interest rates experienced during the 2008 fiscal year exceeded historical norms, and, consequently, the debt service payments on these bonds exceeded revenues from all sources and caused a decline in the Net Assets of the program for that year. During the 2009 fiscal year, these rates became extremely low, a condition that has continued throughout the 2011 fiscal year.

As long as the 2001 through 2007 Bonds remain outstanding as Auction Rate Certificates, there is a risk that auctions resulting in interest rates in excess of program revenues will continue to occur. These include those as a result of Failed Auctions, resulting in the imposition of the All Hold rate, as well as fluctuations in the ARC rates resulting from possible future successful auctions.

In the event that losses caused by excessive bond interest expense result in insufficient cash within the NJCLASS/FFELP Trust to meet its debt service obligations, the Authority's legislation provides for draws on the Debt Service Reserve funds established under the supplemental indentures of each bond issue. As of June 30, 2011, amounts available in the debt service reserve funds for each bond issue within the 1998 NJCLASS/FFELP Indenture of Trust, which contains all HESAA ARC bonds, totalled \$6,091,100, included in cash and cash equivalents and investments. The following paragraph describes the degree to which security for the bonds issued under the 1998 indenture is provided through this and other funding sources.

The HESAA NJCLASS/FFELP ARC Bonds, which are all those issued between 2001 and 2007, are secured on a parity basis with all of the other Series of Bonds previously issued under the 1998 Indenture and are payable from, subject to the terms of the Indenture: (i) Student Loans; (ii) all Revenues and Recoveries of Principal (including, without limitation, payments of principal of and interest on Student Loans); (iii) the Debt Service Reserve Fund; and (iv) the monies and securities in the various other funds established under the Indenture (except the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund). The amount deposited in the Debt Service Reserve Fund is less than the maximum amount of principal and interest on the bonds in certain future Bond Years. Pursuant to a provision in the Authority's enabling Act, the Legislature of the State may pay monies into the Debt Service Reserve Fund, subject to and dependent upon annual appropriations by the Legislature, to restore such account to the Debt Service Reserve Fund Requirement. However, because the Debt Service Reserve Fund Requirement is less than the maximum annual debt service on the bonds, even in the event that the Legislature makes all appropriations contemplated by the Act, such appropriations may be insufficient to pay debt service on the bonds as the same becomes due and payable. Such provision does not constitute a legally enforceable obligation on the part of the State or create a debt or liability on behalf of the State enforceable against the State.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
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NOTE 5 – BONDS PAYABLE (CONTINUED)

Gains on Bond Retirements

During 2011 and 2010, due to market conditions in which investments in ARC bonds could not be resold at par through the auction process, two broker/dealer firms, which were holders of these bonds made offers to HESAA to sell back portions of their holdings at below par.

As a result, the Authority repurchased and retired \$82,775,000 of its ARC bonds through Special Redemptions and public tenders, as permitted under the indentures, at prices ranging from 84.00% to 87.50% of par, resulting in total gains on retirement of \$10,390,188 during the year ended June 30, 2011. During the year ended June 30, 2010, the Authority repurchased and retired \$1,077,025,000 of its ARC bonds through Special Redemptions and public tenders, as permitted under the indentures, at prices ranging from 84.25% to 85.50% of par, resulting in total gains on retirement of \$160,822,875.

NOTE 6 – ARBITRAGE REBATES

Pursuant to current federal income tax law and in accordance with the bond indentures, certain income earned on non-purpose investments (investments other than student loans) attributable to the Authority's outstanding tax-exempt bonds is subject to payment to the U.S. Treasury as arbitrage rebates.

The arbitrage rebates are determined and calculated annually based upon the percentage of yield realized on the non-purpose investments compared to the percentage of yield on the tax-exempt bonds and is cumulative over the lives and terms of the applicable bond series. Accordingly, the determined amount for any one-year could be reduced in subsequent years based on changes in yield differentials. Arbitrage expense of \$35,762 was accrued during the 2011 fiscal year, and June 30, 2009 liability of \$214,837 was paid during the 2010 fiscal year. No additional liability was accrued during the 2010 fiscal year.

NOTE 7 – CONCENTRATION OF CREDIT RISK

Financial Instruments

As disclosed in Note 1, the Authority's loan programs use financial instruments. These Agreements are structured to enable variable rate bond proceeds to meet specific needs of the student loan market by reducing the risk associated with changes in interest rates.

As of June 30, 2011 and 2010, the liability associated with financial instruments specified in Note 1 was \$676,352 and \$708,031, respectively. This amount is included in accrued interest payable.

In order to enhance the security of these financial instruments, the Authority has included provisions in the contracts that govern these agreements requiring the counterparty to post collateral in the form of negotiable debt obligations of the U.S. Treasury if its long-term senior unsecured debt rating from S&P is withdrawn, suspended or falls to or below "A+"; if its rating

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 7 – CONCENTRATION OF CREDIT RISK (CONTINUED)

from Moody's is withdrawn, suspended or falls to or below "A1"; or if its rating from Fitch is withdrawn, suspended or falls to or below "A+".

As an additional safeguard, the Authority has the option to terminate the agreements regarding these financial instruments at any time, subject to the settlement of market value amounts due to the issuer or HESAA at the time of termination. During the years ended June 30, 2011 and 2010, the Authority terminated several agreements resulting in a swap termination fee expense in fiscal year 2011 of \$6,490,000 and in fiscal year 2010 of \$58,706,000.

Student Loans Receivable

The Authority provides student loans to New Jersey residents and out-of-state residents attending college in New Jersey, who use the proceeds for the purpose of pursuing higher education. The Authority assesses eligibility of loan applicants using criteria equal to the established guidelines for comparable loans in the banking industry. Management performs ongoing evaluations of its loan recipients and maintains an insurance fund, separate from the bond issues, which is capitalized by a fee charged at disbursement and partially replenished by collections on defaulted loans, to reimburse the bond issues when defaults occur. This policy is in conformity with the reserve amount requirements of the trust indentures between the Authority and Wells Fargo Bank. As a means of ensuring that cash flows generated from NJCLASS Student Loans will be sufficient to cover and protect the interests of the bondholders, management considers the insurance fund cash flows adequate in light of actual loan default experience.

NOTE 8 – SUBSEQUENT EVENTS

Management evaluated subsequent events through October 26, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to October 26, 2011, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

On July 20, 2011, the Authority successfully completed a sale of \$326,500,000 Student Loan Revenue Bonds, Series 2011-1. Approximately \$289,181,576 in bond proceeds will be used for the origination of NJCLASS and NJCLASS Consolidation loans for the 2011-2012 academic year. Required reserves and issuance costs, exclusive of Underwriter's Discount, equalled \$24,530,000, and this issuance included net bond premium totalling \$4,721,576. In addition, \$17,510,000 of the total bond proceeds was transferred to the 1998 Bond Issue to pay for the redemption of the 1998 Series A Bonds in exchange for \$22,535,845 in student loan receivables. Underwriter's Discount in the amount of \$2,252,850 was paid from other HESAA funds.

This information is an integral part of the accompanying financial statements.

**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***

To the Board Members of
New Jersey Higher Education Student Assistance Authority
Trenton, New Jersey

We have audited the financial statements of the NJCLASS/FFELP Loan Programs (the "Programs") of the New Jersey Higher Education Student Assistance Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated October 26, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Programs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Programs' internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Programs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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*.

This report is intended solely for the information and use of the audit committee, the Authority's board members, management and the State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

Clifton Henderson LLP

Mt. Laurel, New Jersey
October 26, 2011

SUPPLEMENTARY INFORMATION

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF NET ASSETS
June 30, 2011

	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture Series A&B	2010-1 Indenture Loan Reserve	2010 FFELP	2010-2 Indenture Loan Reserve	Total
Assets																	
Current Assets																	
Cash and cash equivalents	\$ 625,068	\$ 370,693	\$ 516,013	\$ 520,949	\$ 3,415,523	\$ 3,513,566	\$ 593,309	\$ 845,247	\$ 478,384	\$ 475,596	\$ 3,444,739	\$ 25,841,038	\$ -	\$ -	\$ 3,237,196	\$ 38,667,185	\$ 160,883,100
Investments	824,801	547,256	761,615	1,361,233	1,618,142	1,688,662	620,362	2,496,405	1,400,165	918,582	26,815,378	1,413,314	-	215,512	-	40,094	38,911,003
NJCLASS Student Loans Receivable	1,857,589	1,361,233	1,618,142	1,688,662	620,362	3,671,512	706,150	452,854	232,560	101,274	4,993,405	5,168,058	-	-	-	9,861,099	51,126,596
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,780,209	-	12,780,209
NJCLASS Defaulted Principal and Interest in 2009 and 2010 LRFs	-	-	-	-	-	-	-	-	-	-	-	-	1,549,409	8,506,875	-	(608,837)	8,083,289
Due from External Loan Reserve Funds	346,074	255,647	413,722	1,193,400	1,155,569	2,419,065	1,633,746	1,188,278	1,530,144	1,244,963	1,148,912	-	-	-	-	-	12,529,520
Interest Receivable - Investments	131	84	151	2	26	123	6	13	96	61	6,322	193	443	-	19	308	7,978
Interest Receivable - NJCLASS Student Loans	44,514	38,234	61,179	228,839	73,294	687,693	164,794	278,631	116,956	56,201	5,383,757	8,204,073	6,911,429	-	-	3,559,273	25,810,866
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	(4,801)	-	-	1,402,587	-	1,402,587
Due from Other Bond Issue Funds	-	-	-	-	-	-	-	-	-	-	-	392,290	23,727,955	(23,727,955)	-	1,598,151	60,851
Due from 2009 and 2010 Loan Reserve Funds	-	-	-	-	-	-	-	-	-	-	-	12,319	-	28,856	-	19,675	144,857
Default Collections Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	144,857	-	144,857
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	3,698,177	2,573,147	3,370,822	3,629,852	5,264,774	12,017,959	4,849,885	5,261,428	3,760,305	2,798,676	41,792,512	39,600,851	124,666,974	(14,976,711)	17,584,868	53,277,179	311,740,856
Non-Current Assets																	
NJCLASS Student Loans Receivable	5,415,612	4,870,151	8,081,399	21,965,519	7,094,920	70,754,378	14,436,236	19,026,162	9,470,868	4,184,928	303,480,909	422,657,361	673,217,202	-	114,267,714	255,532,315	1,820,187,959
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114,267,714
Bond Issuance Costs - unamortized	136,012	127,099	132,397	-	12,740	189,489	142,044	168,299	26,782	13,649	-	-	7,872,084	-	1,230,397	2,614,119	12,665,111
Financial Instrument Issuance Costs - unamortized	-	-	-	-	126,415	5,989,333	279,783	-	1,889,853	4,395,588	-	-	-	-	-	-	279,758
Deferred Outflow - Interest Rate Swap	5,551,625	4,967,251	8,213,796	21,965,519	12,464,198	76,676,435	14,868,171	19,194,461	11,387,503	8,594,145	303,480,909	422,657,361	681,089,286	-	115,498,111	258,146,433	1,964,785,202
Total Non-Current Assets	11,103,249	10,964,600	16,499,592	44,936,537	22,748,373	172,294,235	30,483,330	38,415,804	25,878,198	13,982,821	646,942,721	846,256,212	800,758,260	(14,976,711)	133,062,979	331,142,312	2,276,526,058
Total Assets	\$ 9,249,801	\$ 7,570,397	\$ 11,564,618	\$ 25,595,372	\$ 17,728,972	\$ 885,694,394	\$ 19,718,055	\$ 24,455,989	\$ 15,147,808	\$ 11,392,821	\$ 345,273,421	\$ 462,258,212	\$ 800,758,260	\$ (14,976,711)	\$ 133,062,979	\$ 331,142,312	\$ 2,276,526,058
Liabilities																	
Current Liabilities																	
Bonds Payable	\$ 17,510,000	\$ 1,605,000	\$ 6,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000,000	\$ -	\$ -	\$ -	\$ 3,000,000	\$ -	\$ 32,115,000
Accrued Interest Payable - Bonds	76,797	60,785	99,664	8,134	187,171	263,119	80,823	30,992	58,977	110,248	1,669,541	1,957,878	2,813,406	-	101,718	1,073,431	8,592,484
Fees Payable	54,810	11,280	16,663	20,927	19,435	69,075	33,363	25,041	11,665	7,418	113,527	143,273	285,061	-	304,306	115,240	1,231,085
Arbitrage Payable	-	-	35,762	-	-	-	-	-	-	-	-	-	-	-	-	-	35,762
Due to the Loan Reserve Fund	29,317	13,416	26,791	33,305	67,164	76,597	46,508	28,280	31,829	19,282	23,111	2,101,151	-	-	-	-	395,600
Total Current Liabilities	17,670,924	1,690,481	6,178,981	62,366	273,770	408,791	160,495	84,313	102,471	136,947	5,806,179	2,101,151	3,098,467	-	3,406,024	1,188,671	42,369,931
Non-current Liabilities																	
Bonds Payable	-	12,445,000	13,770,000	-	3,750,000	49,600,000	34,050,000	39,300,000	6,225,000	3,075,000	326,595,000	450,000,000	713,000,000	-	119,395,000	280,000,000	2,051,205,000
Premium on Bonds Payable	-	-	-	-	-	-	-	-	-	-	-	2,707,422	11,811,391	-	-	4,187,492	18,706,305
Derivative Instrument Liability - Interest Rate Swap	-	12,445,000	13,770,000	-	8,980,123	5,589,333	279,783	-	1,889,853	4,395,588	-	-	-	-	-	-	17,384,660
Total Non-current Liabilities	17,670,924	14,135,481	19,948,081	62,366	9,253,883	55,598,124	34,490,278	39,384,313	8,217,324	7,607,515	332,401,179	454,808,573	727,809,856	-	122,801,024	285,376,163	2,129,685,896
Total Liabilities and Net Assets	(6,421,123)	(6,565,083)	(6,364,263)	25,535,006	8,475,079	33,096,269	(14,772,222)	(14,928,424)	6,930,484	3,785,306	12,872,242	7,449,639	77,848,403	(14,976,712)	10,261,955	26,047,449	146,860,162
Restricted	\$ 9,249,801	\$ 7,570,397	\$ 11,564,618	\$ 25,595,372	\$ 17,728,972	\$ 885,694,393	\$ 19,718,056	\$ 24,455,989	\$ 15,147,808	\$ 11,392,822	\$ 345,273,421	\$ 462,258,212	\$ 800,758,260	\$ (14,976,712)	\$ 133,062,979	\$ 331,142,312	\$ 2,276,526,058

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF NET ASSETS
June 30, 2010

	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture Loan Reserve	2010-1 Series A&B	2010-1 Indenture Loan Reserve	2010-2	2010-2 Indenture Loan Reserve	Total
Assets																		
Current Assets																		
Cash and cash equivalents	\$ 487,885	\$ 410,478	\$ 476,819	\$ 741,418	\$ 5,790,955	\$ 2,159,794	\$ 721,240	\$ 1,079,927	\$ 374,854	\$ 218,263	\$ 19,857,960	\$ 170,885,265	\$ -	\$ 47,483,780	\$ -	\$ 183,538,286	\$ -	\$ 448,130,565
Investments	3,281,907	3,585,603	4,117,504	1,123,406	2,590,935	2,492,451	29,903,184	10,361,852	4,204,710	1,173,919	9,410,581	2,464,901	23,311	19,105,179	-	-	-	94,244,525
NJCLASS Student Loans Receivable	3,749,052	2,195,136	2,487,082	2,985,701	1,432,769	5,492,451	1,352,771	678,411	399,535	171,731	3,013,791	4,091,736	-	18,526,994	-	8,419,343	-	54,796,383
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,418,753
Interest Receivable - Investments	520	561	815	144	260	648	1,289	117	822	250	3,619	6,399	-	2,303	-	1,895	-	19,878
Interest Receivable - NJCLASS Student Loans	86,141	51,893	88,089	332,299	104,798	969,132	250,212	337,395	158,338	76,050	6,924,687	6,707,286	-	9,191,139	-	1,171,996	-	26,449,475
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from the Loan Reserve Fund	273,358	237,265	450,706	927,200	1,201,935	1,746,248	1,576,542	982,228	1,502,555	1,217,829	99,255	-	-	(267,863)	-	(1,762,838)	-	9,929,630
Due from Other Bond Issue Funds	9,125,816	3,999,129	5,883,288	(18,972,881)	(8,415,064)	(3,099,907)	12,611,193	9,904,468	(5,924,849)	(5,111,193)	-	(57,252)	(314,920)	314,920	-	17,698	(17,698)	-
Due from 2009 & 2010 Loan Reserve Funds	-	-	-	-	-	-	-	-	-	-	-	-	864	-	-	-	70	7,775
Default Collections Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	233,812
Due From Loan Servicing Agents	17,004,679	10,480,066	13,454,302	(6,389,922)	115,632	9,942,565	46,416,431	23,344,397	715,765	(2,253,151)	39,309,892	184,098,335	2,878,474	94,358,432	(290,746)	193,131,590	(17,628)	646,734,163
Total Current Assets	7,496,354	6,682,969	10,575,966	23,767,610	8,389,416	81,306,983	16,728,942	20,948,086	10,612,242	4,689,650	323,229,064	273,790,418	-	695,615,085	-	115,084,455	-	1,600,917,241
Non-Current Assets																		
NJCLASS Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132,542,224
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,005,421
Bond Issuance Costs - unamortized	181,966	157,662	170,475	10,334	14,819	341,938	320,032	183,214	31,806	26,247	-	-	-	9,028,907	-	2,991,724	-	321,079
Financial Instrument Issuance Costs - unamortized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflow - Interest Rate Swap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,929,663
Total Non-Current Assets	7,678,520	6,840,631	10,746,442	32,184,631	14,624,379	88,283,461	18,828,808	21,448,042	12,387,124	7,665,016	323,229,064	273,790,418	-	704,643,992	-	118,076,179	-	1,774,715,028
Total Assets	\$ 24,682,999	\$ 17,320,697	\$ 24,200,744	\$ 23,794,708	\$ 14,740,011	\$ 98,225,926	\$ 65,245,239	\$ 44,792,440	\$ 13,302,889	\$ 5,411,865	\$ 362,538,956	\$ 457,888,753	\$ 2,878,474	\$ 799,002,444	\$ (290,746)	\$ 311,207,669	\$ (17,628)	\$ 2,421,449,191
Liabilities																		
Current Liabilities																		
Bonds Payable	\$ 2,245,000	\$ 1,510,000	\$ 2,285,000	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,597,500
Accrued Interest Payable - Bonds	86,245	67,076	110,899	9,741	208,810	309,795	114,475	36,937	58,384	107,731	1,764,545	1,957,878	-	2,413,406	-	322,029	-	8,202,874
Fees Payable	51,740	14,921	17,796	29,151	26,815	86,146	38,901	22,793	10,288	7,538	110,177	128,398	78,811	357,933	-	516,900	-	1,709,929
Due to the Loan Reserve Fund	34,051	26,075	42,432	83,142	70,580	99,493	85,394	23,669	42,817	44,083	4,468	-	-	-	-	-	-	558,205
Total Current Liabilities	2,417,035	1,618,072	2,456,127	3,124,034	306,205	495,434	238,770	83,398	111,488	159,354	1,879,190	2,086,276	-	3,171,359	-	838,929	-	33,068,508
Non-current Liabilities																		
Bonds Payable	17,510,000	14,050,000	19,770,000	-	4,200,000	86,300,000	74,050,000	41,350,000	7,150,000	5,725,000	350,000,000	450,000,000	-	713,000,000	-	280,000,000	-	2,194,547,500
Premium on Bonds Payable, Net	-	-	-	-	-	-	-	-	-	-	-	3,334,112	-	15,106,668	-	5,533,013	-	23,973,792
Derivative Instrument Liability - Interest Rate Swap	-	-	-	-	6,072,651	6,472,263	1,768,525	316,743	1,943,076	2,949,119	350,000,000	-	-	728,106,668	-	285,533,013	-	25,929,663
Total Non-current Liabilities	17,510,000	14,050,000	19,770,000	6,406,687	10,272,651	92,772,631	75,818,525	41,666,743	9,093,076	8,674,119	350,000,000	453,334,112	-	728,106,668	-	285,533,013	-	2,444,450,533
Total Liabilities	19,927,035	15,668,072	22,226,127	9,530,721	10,578,855	93,267,697	76,037,295	41,730,141	9,204,564	8,833,473	351,879,190	453,420,388	-	731,278,026	-	286,371,942	-	2,277,518,863
Net Assets																		
Restricted	4,755,964	1,652,625	1,974,617	16,263,987	4,161,155	4,958,129	(10,812,056)	3,042,299	4,098,325	(3,421,608)	10,659,767	2,468,365	2,878,474	67,724,417	(3,69,537)	24,835,827	(17,628)	143,930,328
Total Liabilities & Net Assets	\$ 24,682,999	\$ 17,320,697	\$ 24,200,744	\$ 23,794,708	\$ 14,740,011	\$ 98,225,926	\$ 65,245,239	\$ 44,792,440	\$ 13,302,889	\$ 5,411,865	\$ 362,538,956	\$ 457,888,753	\$ 2,878,474	\$ 799,002,444	\$ (290,746)	\$ 311,207,669	\$ (17,628)	\$ 2,421,449,191

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
June 30, 2011

	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2010 FFELP Loan Reserve Fund	2010-1 Indenture Loan Reserve Fund	2010-2	2010-2 Indenture Loan Reserve Fund	Total
Operating Revenues																	
Interest Income	\$712,659	\$576,155	\$926,782	\$1,730,746	\$563,038	\$4,818,330	\$1,135,032	\$1,394,095	\$740,664	\$271,132	\$24,786,642	\$29,286,247	\$0	\$0	\$14,455,337	\$0	\$128,405,073
NJCLASS Student Loans																	
FFELP Student Loans																	
Total Interest Income	712,659	576,155	926,782	1,730,746	563,038	4,818,330	1,135,032	1,394,095	740,664	271,132	24,786,642	29,286,247	0	0	14,455,337	0	133,765,573
Application/Administrative Fee Income						(322)		(40)		610	(733)	3,110,900			14,455,337		133,765,573
Loan Reserve Fee Income															3,270,585		7,058,955
Default Income																2,298,151	4,902,547
Total Operating Revenues	712,659	576,155	926,782	1,730,746	563,038	4,818,028	1,135,032	1,394,026	739,475	271,742	24,785,909	32,397,147	5,380,500	785,089	17,725,921	2,327,714	146,234,018
Operating Expenses																	
Loan Servicing Fees																	
NJCLASS Student Loans	155,846	114,915	122,964	154,370	51,076	424,409	78,524	79,687	42,787	19,713	1,294,549	3,015,687			2,692,783		11,193,758
FFELP Student Loans																	
Total Loan Servicing Fees	155,846	114,915	122,964	154,370	51,076	424,409	78,524	79,687	42,787	19,713	1,294,549	3,015,687			2,692,783		11,193,758
Default Expense																	
Program Expenses																	
Annual Insurance Expense	1,946	11,000	14,000		2,438	64,726	53,686	28,946	4,953	4,008	410,626						596,327
Transaction Fees				(2,699)		11,228	112,097	31,470	152	6,971		5,000			(386,233)		(123,802)
Bad Debt Expense	190,230	78,658	10,450	683,035	128,878	1,617,787	397,145	576,783	326,458	273,821	558,231	1,555,517			591,209		23,609,930
Other Program Expenses												239			1,655,364		3,687,587
Total Program Expenses	192,176	89,658	24,450	680,336	142,544	1,801,450	563,528	637,199	331,563	284,029	969,095	1,560,517			1,940,340		27,801,042
Bond Interest Expense	1,025,490	798,626	1,393,554	96,112	2,494,010	5,601,762	1,366,662	435,913	703,560	1,792,508	20,373,340	22,867,844	1,378,674		11,535,655		99,694,138
Total Operating Expenses	1,737,511	1,003,199	1,466,968	930,818	2,687,660	5,827,621	1,948,714	1,152,799	1,076,710	1,596,250	22,636,984	27,444,049	3,881,352	15,392,375	16,168,778	2,320,702	145,897,331
Operating Income (Loss)	(60,852)	(427,044)	(540,186)	799,928	(2,124,621)	(1,009,592)	(813,682)	241,256	(337,235)	(1,324,508)	2,148,925	4,953,098	1,499,148	(14,607,286)	1,557,143	17,012	336,687
Non-Operating Revenue (Expenses)																	
Income on Investments	329,719	239,027	358,434	782	1,153	3,982	43,898	16,154	5,631	1,577	63,551	281,775		131	32,084	1,222	1,151,706
Gain on Bond Retirement																	
Gain/Loss on Transfer	(12,800,000)	(7,999,129)	(10,083,288)	14,968,641	6,399,299	24,769,095	(8,011,931)	(18,504,468)	3,049,849	8,211,193							10,390,188
Swap Termination Fees				(6,496,000)													
Amortization of Bond Issuance Cost	(45,353)	(30,562)	(38,078)	(103,314)	(2,079)	(132,450)	(177,988)	(14,915)	(5,043)	(12,598)	(1,156,822)		(315,901)	(377,605)		(6,496,000)	
Amortization of Financial Instrument Issuance Costs																	
Arbitrage Expenses																	
Total Non-Operating Revenue (Expenses)	(12,516,231)	(7,790,664)	(9,798,694)	8,469,000	6,438,545	29,147,733	(3,146,884)	(18,211,979)	3,169,394	8,531,423	63,551	281,775		131	(345,521)	1,222	2,993,834
Change in Net Assets	(13,177,087)	(8,217,709)	(10,338,880)	9,269,018	4,313,923	28,138,140	(3,960,163)	(17,970,723)	2,832,159	7,206,915	2,212,476	4,981,273	1,184,728	(14,607,155)	1,211,622	18,234	2,993,834
Net Asset (Deficit)	4,755,965	1,655,625	1,974,616	16,265,989	4,161,155	4,958,429	(10,812,056)	3,042,298	4,093,325	(3,421,609)	10,659,766	2,468,365	9,077,227	(369,556)	24,835,827	(17,628)	143,930,328
Net Asset (Deficit, End of Year)	(8,821,122)	(6,565,084)	(8,364,264)	25,535,007	33,096,266	33,096,266	(11,772,221)	(14,928,455)	6,930,483	3,783,806	12,872,242	7,449,638	2,387,553	(14,928,455)	26,047,449	6,006	146,860,162

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
June 30, 2010

	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture	2010-1 Series A&B	2010-1 Indenture Loan Reserve	2010-2	2010-2 Indenture Loan Reserve	Total	
Operating Revenues																			
Interest Income																			
NJCLASS Student Loans	\$ 984,705	\$ 732,826	\$ 1,192,780	\$ 4,609,114	\$ 4,029,583	\$ 7,456,226	\$ 5,962,396	\$ 8,454,031	\$ 7,613,476	\$ 9,469,792	\$ 23,626,262	\$ 12,997,232	\$ -	\$ 20,501,483	\$ -	\$ 174,654	\$ -	\$ 107,804,560	
FFELP Student Loans	-	-	-	2,494,451	1,584,761	647,877	95,436	39,067	-	-	-	-	-	-	-	-	-	-	5,828,580
Total Interest Income	984,705	732,826	1,192,780	7,103,565	5,614,344	8,104,103	6,057,832	8,493,098	7,613,476	9,469,792	23,626,262	12,997,232	-	20,501,483	-	174,654	-	113,633,140	
Application/Administrative Fee Income	-	-	-	(194)	9,525	(100)	5,358	43,274	19,258	12,300	1,368,349	5,503,162	-	50,392	-	-	-	-	7,011,324
Loan Reserve Fee Income	-	-	-	-	-	-	-	-	-	-	-	-	2,751,742	-	-	-	-	2,802,126	
Default Income	-	-	-	-	-	-	-	-	-	-	-	-	178,064	-	-	-	-	179,138	
Total Operating Revenues	984,705	732,826	1,192,780	7,103,371	5,623,869	8,104,003	6,063,190	8,536,372	7,632,734	9,482,092	24,994,611	18,500,394	2,929,806	20,551,875	51,388	174,654	70	123,625,728	
Operating Expenses																			
Loan Servicing Fees																			
NJCLASS Student Loans	192,090	138,799	144,534	377,721	308,329	622,069	351,908	396,371	392,159	485,654	430,317	3,511,087	-	1,418,479	-	54,782	-	8,824,299	
FFELP Student Loans	-	-	-	1,023,961	914,784	413,465	43,118	27,618	-	-	-	-	-	-	78,811	-	-	-	2,915,265
Total Loan Servicing Fees	192,090	138,799	144,534	1,401,682	1,223,113	1,035,534	395,026	423,989	392,159	485,654	430,317	3,511,087	-	1,418,479	78,811	-	-	11,739,564	
Default Expense	-	-	-	-	-	-	-	-	-	-	-	-	106,271	-	-	-	17,698	466,136	
Program Expenses																			
Annual Insurance Expense	15,804	12,000	16,000	22,848	29,284	108,432	99,343	91,316	87,343	95,786	422,333	-	-	-	-	-	-	1,000,489	
Transaction Fees	-	-	-	(9,815)	28,794	93,182	116,429	21,174	49,408	250,615	-	-	-	-	-	-	-	549,787	
Bad Debt Expense	148,917	145,330	207,064	699,501	766,241	1,144,035	1,176,409	1,050,248	1,469,369	1,584,578	-	-	-	267,863	-	17,628	-	8,677,183	
Other Program Expenses	-	-	-	(97)	9,535	(50)	2,679	42,634	20,033	12,410	684,214	2,751,742	-	50,384	-	-	-	3,573,484	
Total Program Expenses	164,721	157,330	223,064	712,437	833,854	1,345,599	1,394,860	1,205,372	1,626,153	1,943,389	1,106,547	2,751,742	-	318,247	-	17,628	-	13,800,943	
Bond Interest Expense	1,131,813	869,350	1,452,275	3,867,157	3,468,172	5,067,645	4,267,347	3,655,234	3,929,941	5,128,519	21,174,538	22,863,658	-	13,127,540	-	238,798	-	90,526,909	
Total Operating Expenses	1,488,624	1,105,479	1,819,873	5,981,276	5,525,139	7,488,778	6,057,233	5,284,595	5,948,255	7,557,562	22,711,402	29,126,487	106,271	14,864,266	420,978	361,208	17,698	116,533,552	
Operating Income (Loss)	(503,919)	(432,653)	(627,093)	1,122,095	98,730	655,225	5,957	3,251,777	1,684,481	1,924,530	2,283,209	(10,626,093)	2,823,535	5,687,609	(369,590)	(186,554)	(17,628)	7,092,176	
Non-Operating Revenues (Expenses)																			
Income on Investments	164,004	168,546	252,371	12,722	5,080	9,162	44,749	22,570	21,794	13,373	141,867	214,227	4,213	4,441	34	1,895	-	1,081,330	
Miscellaneous Income/(Expense), Net	-	-	-	18,291,750	14,688,500	10,343,875	18,937,500	27,175,375	31,932,875	39,453,000	-	-	-	-	-	-	-	-	(3,431)
Gain on Bond Retirements	-	-	-	(11,399,810)	(15,491,942)	(6,910,229)	(19,036,921)	(27,423,728)	(27,178,142)	(37,654,828)	-	-	-	111,293,620	-	25,028,762	-	160,822,875	
Amortization of Financial Instrument Issuance Costs	-	-	-	-	(21,079)	(66,390)	(35,807)	(48,267)	(48,267)	(48,267)	-	-	-	-	-	-	-	-	(171,542)
Swap Termination Fees	-	-	-	(379,211)	-	(1,021,800)	(2,242,000)	(550,200)	(620,000)	(5,122,789)	-	-	-	(48,770,000)	-	-	-	(58,706,000)	
Amortization of Bond Issuance Cost	(53,291)	(35,425)	(44,390)	(669,375)	(592,597)	(528,154)	(574,377)	(847,108)	(1,001,969)	(1,274,618)	-	-	-	(491,253)	-	(8,276)	-	(6,135,665)	
Total Non-Operating Revenues (Expenses)	110,713	133,121	207,981	5,856,076	(1,412,038)	1,826,464	(2,910,287)	(1,671,338)	3,154,558	(4,585,862)	141,867	214,227	4,213	62,036,808	34	25,022,381	-	96,887,566	
Change in Net Assets	(393,206)	(299,532)	(419,112)	6,978,171	(1,313,308)	2,481,689	(2,904,330)	1,580,419	4,839,039	(2,661,332)	2,425,076	(10,411,866)	2,827,748	67,724,417	(369,556)	24,835,827	(17,628)	103,979,742	
Net Assets (Deficit)	5,149,171	1,952,157	2,393,728	9,285,818	5,474,463	2,476,440	(7,907,726)	1,461,879	(740,714)	(760,277)	8,234,690	12,880,231	50,726	\$ 67,724,417	-	\$ -	-	39,950,586	
Beginning of Year	\$ 4,755,965	\$ 1,652,625	\$ 1,974,616	\$ 16,263,989	\$ 4,161,155	\$ 4,958,129	\$ (10,812,056)	\$ 3,042,298	\$ (4,998,325)	\$ (3,421,609)	\$ 10,659,766	\$ 2,468,365	\$ 2,878,474	\$ 9,077,227	\$ (369,556)	\$ 24,835,827	\$ (17,628)	\$ 143,930,328	
Net Assets (Deficit), End of Year																			