

**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
TABLE OF CONTENTS
JUNE 30, 2015 AND 2014**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	12
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	13
STATEMENTS OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	16
SUPPLEMENTARY INFORMATION	
COMBINING SCHEDULES OF NET POSITION	42
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	44
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 <i>GOVERNMENT AUDITING STANDARDS</i>	46

INDEPENDENT AUDITORS' REPORT

Board Members
New Jersey Higher Education Student Assistance Authority
Trenton, New Jersey

Report on the Financial Statements

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), which comprise the statements of net position as of June 30, 2015 and 2014 and the related statements of revenues and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Programs as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As more fully disclosed in Note 1, 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 a whole as of June 30, 2015 and 2014, and changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

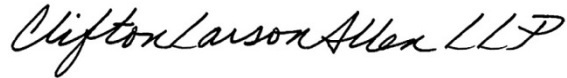
Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Programs. The supplementary information as listed in the table of contents as of and for the years ended June 30, 2015 and 2014 is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of the Program’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 in considering the Program’s internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Mt. Laurel, New Jersey
October 19, 2015

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015. 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 position present information on all of the Programs' assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Programs is improving or deteriorating. Net position increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities results in increased net position, which indicates an improved financial position.

The statements of revenues, expenses and changes in net position present information showing how net position changed during the fiscal year. All changes in net position 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.

For further detail, visit the Authority's website www.hesaa.org for more information about Authority programs and activities and management contact information.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Financial Highlights and Analysis

The Programs' net position, referring to the difference between assets, deferred outflow of resources, and liabilities, increased by \$29,676,705 and \$26,164,029 from the prior fiscal years ended 2014 and 2013, respectively. The term "Net Position" is used in accordance with rules promulgated under GASB Statement No. 34, as amended.

As of June 30, 2015, 2014, and 2013, the assets and deferred outflows of the Programs exceeded liabilities by \$213,558,309, \$183,881,604, and \$157,717,575, respectively.

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 \$1,994,838,405, \$2,066,802,977, and \$2,069,781,324, at June 30, 2015, 2014, and 2013, respectively. This represents a 2015 decrease of \$71,964,573 and a 2014 decrease of \$2,978,347, respectively, due to loan principal repayments during these years, partially offset by loan originations.

Changes in Cash and Investments Balances

The second major asset component was cash and investments, which together totaled \$579,020,035, \$546,773,805, and \$540,232,363 at June 30, 2015, 2014, and 2013, respectively. 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 increases in cash and investments for fiscal years 2015 and 2014 were primarily due to the receipt of the 2015-1 and 2014-1 Bond Issue proceeds in June of 2015 and 2014. Partially offsetting this was 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 \$347,847,321, \$318,039,013, and \$302,735,557 during fiscal years 2015, 2014, and 2013, respectively. In addition, NJCLASS application/administrative/repayment fee and loan reserve fee income was \$5,025,645, \$5,951,075, and \$5,905,043; and \$294,206, \$298,557, and \$350,052 in interest was earned on investments for 2015, 2014, and 2013, respectively.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Changes in Liabilities – Bonds Payable

The main liability of the Programs is the debt used to originate or acquire student loans.

Bonds payable decreased in fiscal year 2015 by \$65,615,000 due to retirements, which utilized a total of \$245,046,438 in cash, offset by the 2015-1 bond issuance and related capital contribution, which provided \$189,900,000 in cash.

Bonds payable decreased in fiscal year 2014 by \$17,080,000 due to retirements, which utilized a total of \$236,089,437 in cash, offset by the 2014-1 bond issuance and related capital contribution, which provided \$230,064,520 in cash. In fiscal year 2013, bonds payable decreased by \$7,355,000 due to retirements, which utilized a total of \$207,068,125 in cash, offset by bond issuances and related capital contributions, which provided \$214,587,369 in cash.

Of the amount retired in fiscal year 2015:

- \$105,000,000 in retirements was due to scheduled bond maturities.
- \$11,495,000 was due to quarterly Excess Revenue Redemptions of the 2010-FFELP Bonds, in accordance with the terms of that Indenture.
- \$5,225,000 was through Special Redemptions of portions of the Authority's auction rate bond issues, at prices below par, resulting in total gains on retirements of \$568,562.
- \$116,550,000 was due to Special Optional Redemptions of portions of the fixed rate 2008, 2009, 2010-1, 2010-2, 2011-1 and 2012-1 Issues, as a result of better than forecasted cash flows on these issues.
- \$7,345,000 was due to a non-Origination (Unexpended Proceeds) redemption of a portion of the 2014-1 Variable Rate Bonds due to less than targeted variable rate loan originations as of an interim date specified in the 2014-1 Supplemental Indenture.

Of the amount retired in fiscal year 2014:

- \$75,780,000 in retirements was due to scheduled bond maturities.
- \$10,225,000 was due to quarterly Excess Revenue Redemptions of the 2010-FFELP Bonds, in accordance with the terms of that Indenture.
- \$23,375,000 was through Special Redemptions of portions of the Authority's auction rate bond issues, at prices below par, resulting in total gains on retirements of \$990,563. Of this amount, \$22,975,000 was as a result of a Bond Tender Transaction.
- \$127,700,000 was due to Special Optional Redemptions of portions of the fixed rate 2008, 2009, 2010-1, 2010-2 and 2011-1 Issues, as a result of better than forecasted cash flows on these issues.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Changes in Liabilities – Bonds Payable (Continued)

The following is a summary of new bond issuance activity during the June 30, 2015, 2014, and 2013 fiscal years:

- The 2015-1 Bonds, with a par amount of \$170,000,000 in Senior Fixed Rate Bonds, \$10,000,000 in Subordinate Bonds were issued in June 2015 under the 2012-1 Master Indenture. In addition, a net bond premium of \$7,161,000 and an equity contribution of \$2,739,000 from other HESAA reserves resulted in total proceeds of \$189,900,000. Of this amount, \$174,300,000 was designated for the origination of NJCLASS and NJCLASS Consolidation loans for the 2015-2016 academic year and \$15,600,000 was allocated to required reserves. The Underwriter's Discount, amounting to \$1,125,000 and other closing costs, estimated to be \$450,000, were paid from other HESAA reserves.
- The 2014-1 Bonds, with a par amount of \$182,000,000 in Senior Fixed Rate Bonds, \$25,000,000 in Senior Variable Rate Bonds and \$13,000,000 in Subordinate Bonds were issued in June 2014 under the 2012-1 Master Indenture. In addition, a net bond premium of \$6,064,520 and an equity contribution of \$4,000,000 from other HESAA reserves resulted in total proceeds of \$230,064,520. Of this amount, \$213,664,520 was designated for the origination of NJCLASS and NJCLASS Consolidation loans for the 2014-2015 academic year and \$16,400,000 was allocated to required reserves. The Underwriter's Discount, amounting to \$1,218,750 and other closing costs, estimated to be \$450,000, were paid from other HESAA reserves.
- The 2013-1 Bonds, with a par amount of \$200,000,000 were issued in June 2013 under the 2012-1 Master Indenture. Of this amount, \$199,927,369 was designated for the origination of NJCLASS and NJCLASS Consolidation loans for the 2013-2014 academic year. Required reserves included a Capitalized Interest Fund of \$10,000,000 and a Debt Service Reserve of \$4,000,000, and the net bond premium was \$8,927,369. The Underwriters' Discount, amounting to \$1,250,000 and other closing costs of approximately \$500,000 were paid from other HESAA reserves.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

The following table contains condensed comparative financial information derived from the June 30, 2015, 2014, and 2013 financial statements of the NJCLASS/FFELP Loan Programs:

NET POSITION	<u>2015</u>	<u>2014</u>	<u>Change from 2015 to 2014</u>	<u>2013</u>	<u>Change from 2014 to 2013</u>
Current Assets	\$ 727,554,990	\$ 689,985,591	\$ 37,569,399	\$ 677,219,029	\$ 12,766,562
Non-Current Assets	1,925,935,583	1,999,886,037	(73,950,454)	1,995,143,448	4,742,589
Total Assets	<u>2,653,490,573</u>	<u>2,689,871,628</u>	<u>(36,381,055)</u>	<u>2,672,362,477</u>	<u>17,509,151</u>
Deferred Outflows of Resources	4,814,943	6,666,303	(1,851,360)	11,508,885	(4,842,582)
Current Liabilities	154,793,693	191,240,703	(36,447,010)	177,929,292	13,311,411
Non-Current Liabilities	2,289,953,514	2,321,415,624	(31,462,110)	2,359,733,380	(38,317,756)
Total Liabilities	<u>2,444,747,207</u>	<u>2,512,656,327</u>	<u>(67,909,120)</u>	<u>2,537,662,672</u>	<u>(25,006,345)</u>
Net Position, Restricted	<u>213,558,309</u>	<u>183,881,604</u>	<u>29,676,705</u>	<u>157,717,575</u>	<u>26,164,029</u>
Total Liabilities and Net Position	<u>\$ 2,658,305,516</u>	<u>\$ 2,696,537,931</u>	<u>\$ (38,232,415)</u>	<u>\$ 2,683,871,362</u>	<u>\$ 12,666,569</u>
CHANGES IN NET POSITION					
Operating Revenues	\$ 154,640,033	\$ 155,255,930	\$ (615,897)	\$ 154,533,561	\$ 722,369
Operating Expenses	126,442,885	128,730,035	(2,287,150)	140,525,460	(11,795,425)
Operating Gain	<u>28,197,148</u>	<u>26,525,895</u>	<u>1,671,253</u>	<u>14,008,101</u>	<u>12,517,794</u>
Non-Operating Revenues (Expenses) and Other Changes:					
Income on Investments	294,206	298,557	(4,351)	350,052	(51,495)
Gain on Bond Retirements	568,562	990,563	(422,001)	286,875	703,688
Parity Release Distribution	(2,089,945)	(2,319,009)	229,064	(2,288,177)	(30,832)
Interest Rate Swap Termination Fees	-	(3,295,750)	3,295,750	-	(3,295,750)
Capital Contribution for 2015-1 Bond Issue	2,739,000	-	2,739,000	-	-
Capital Contribution for 2014-1 Bond Issue	-	4,000,000	(4,000,000)	-	4,000,000
Capital Contribution for 2013-1 Bond Issue	-	-	-	5,000,000	(5,000,000)
Capital Contribution for 2012-1 Bond Issue	-	-	-	660,000	(660,000)
Amortization of Prepaid Interest Rate Cap Fees	(32,266)	(36,227)	3,961	(42,344)	6,117
Arbitrage Expense	-	-	-	(11,159)	11,159
Net Non-Operating Revenues	<u>1,479,557</u>	<u>(361,866)</u>	<u>1,841,423</u>	<u>3,955,247</u>	<u>(4,317,113)</u>
CHANGE IN NET POSITION	<u>29,676,705</u>	<u>26,164,029</u>	<u>3,512,676</u>	<u>17,963,348</u>	<u>8,200,681</u>
NET POSITION - BEGINNING OF YEAR	<u>183,881,604</u>	<u>157,717,575</u>	<u>26,164,029</u>	<u>139,754,227</u>	<u>17,963,348</u>
NET POSITION - END OF YEAR	<u>\$ 213,558,309</u>	<u>\$ 183,881,604</u>	<u>\$ 29,676,705</u>	<u>\$ 157,717,575</u>	<u>\$ 26,164,029</u>

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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 \$309,582, \$1,293,264, and \$2,443,331, or .2%, .9%, and 1.7%, due to the approximately \$171.0 million, \$186.8 million, and \$174.3 million in NJCLASS net disbursements during the 2015, 2014, and 2013 fiscal years, respectively.
- Beginning with the 2012-1 Bond Issue, the establishment of a Loan Reserve Fund was discontinued. Of the total origination fee of 3%, which remained unchanged, the 1% fee formerly deposited in the loan reserve fund was replaced by a 2% fee deposited in the Student Loan account as additional overcollateralization for the Trust Estate. This fee was designated the "repayment fee." Consequently, NJCLASS loan reserve fee income for fiscal 2015 and 2014 is \$0. Fee income from the 2% repayment fee and the application/administrative fee amounted to \$5.0 million, resulting in an overall combined decrease for these fees of \$925 thousand from fiscal 2014, when application administrative fees were \$6.0 million, and 2013, when they were \$5.9 million, due to lower loan disbursements in fiscal 2015.
- Interest income on FFELP loans during the 2015, 2014, and 2013 fiscal years decreased by \$483,840, \$616,927, and \$501,126, respectively, due to the continuing reduction in FFELP portfolio assets. FFELP assets declined to \$72,657,070 at June 30, 2015 from \$84,136,254 at June 30, 2014, and \$95,374,091 at June 30, 2013.

Operating Expenses

- Bond interest expense for fiscal years 2015, 2014, and 2013 was \$100,839,061, \$102,292,167, and \$108,023,711, respectively. This represents decreases of \$1,453,106, or 1.4% and \$5,731,544, or 5.31% in 2015 and 2014, respectively. These changes were due to the lower amount of bonds outstanding as a result of retirements during these years, partially offset by issuance of the 2015-1 and 2014-1 Bonds.

Bad Debt Expense

- In fiscal year 2015, an additional \$12,368,764 in bad debt expense was recognized, a decrease of \$1,172,674 from fiscal year 2014, during which an additional \$13,541,438 in bad debt expense was recognized, versus \$19,018,454 in 2013, a decrease of \$6,012,884. The recent slower growth in the number of defaulted loans may be attributable to stricter underwriting standards that have been adopted by the NJCLASS Program in recent years and improving economic conditions.
- Bad debt expense is recorded when increases to the Allowance for Doubtful Accounts recorded against amounts due from the Loan Reserve Funds to pay default claims become necessary. For a full description of the Allowance for Doubtful Accounts and defaulted loans, see **NOTES TO FINANCIAL STATEMENTS – NOTE 3, STUDENT LOANS RECEIVABLE – Loan Defaults/Loan Reserve Fund.**

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Non-Operating Revenues (Expenses) and Other Changes

- Fiscal 2015 Gains on Bond Retirement resulting from below par retirements of ARC Bonds amounted to \$568,562. This was a decrease from FY 2014, when \$990,563 in gains were recorded. The Fiscal 2014 gains on retirement were higher than Fiscal 2015 and Fiscal 2013, when gains on retirement were \$286,875, primarily due to a bond tender transaction which closed in March 2014, resulting in the retirement of \$22,975,000 in ARC bonds. Bond retirement activity is described in **“Changes in Liabilities – Bonds Payable”** above.
- The fiscal 2015 parity release distribution of \$2,089,945 represents a decrease from fiscal 2014 distribution of \$2,319,009, which was a slight increase from fiscal 2013, during which the \$2,288,177 release represented the first ever parity release amounts from a HESAA Bond Issue. Parity release amounts are paid to HESAA. Parity releases are made possible when the 2010-FFELP Bond Issue parity exceeds the release level of 110% as defined in its Indenture.
- Swap termination fees amounted to \$-0- in fiscal 2015, \$3,295,750 in fiscal 2014, and \$-0- in 2013, respectively. 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. In prior years, HESAA had 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 ARCs outstanding, whose interest rates were converted to a fixed rate by these swaps, in order to create an asset/liability match with the loans. This expense was entirely funded from the gains on retirement of ARCs and other available funds within the NJCLASS/FFELP 1998 Indenture of Trust (see above) and did not require any HESAA or State General Fund expenditures.

Significant Events

- At fiscal year-end 2015, the Programs had \$2,403,460,000 in bonds outstanding, compared to \$2,469,075,000 in the prior fiscal year – a decrease of 2.7%. This is due to a total issuance during the year of \$180,000,000 in 2015-1 Bonds, which closed on June 10, 2015, offset by retirements of \$245,615,000. In the prior fiscal year, HESAA issued \$220,000,000 in 2014-1 Bonds, offset by retirements of \$237,080,000.
- During fiscal year 2015, the Authority experienced a decrease in NJCLASS student loan origination volume, with cash disbursements of \$171,049,018 for new loans, compared to \$186,754,259 during fiscal year 2014, a decrease of 8.4%. During fiscal year 2014 there was an increase of 7.1% in NJCLASS origination volume from the prior year.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Cash Flows Summary

	2015	2014	2013
Net Cash Provided (Used) by Operating Activities	\$ 89,211,488	\$ 17,935,146	\$ 11,087,168
Net Cash Provided (Used) by Financing Activities	(55,175,205)	(9,353,251)	7,482,685
Net Cash Provided (Used) by Investing Activities	3,242,841	(3,890,527)	6,040,785
Net Increase in Cash and Cash Equivalents	\$ 37,279,124	\$ 4,691,368	\$ 24,610,638

Current Conditions

In response to the continuing demand for NJCLASS loans, HESAA issued its Series 2015-1 Bonds on June 10, 2015 to fund anticipated NJCLASS loan volume for the 2015-16 academic year. During the previous year, HESAA issued its Series 2014-1 Bonds on June 19, 2014.

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. 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. The Authority continually reevaluates its credit policies and adjusts its underwriting criteria when it is deemed in the best interests of the NJCLASS Loan Program to do so. To mitigate the risk of future loan defaults and enhance the overall credit quality of its loan portfolio, the Authority made two significant policy changes. In 2012-13, the allowable percentage of fixed rate loans that can be originated in option III was reduced to 15% and HESAA raised the minimum credit score required to qualify for an NJCLASS loan from 630 to 670. In addition, the minimum income requirement necessary to obtain an NJCLASS Loan, which was \$30,500 in 2011-12, was raised to \$40,000, beginning with the 2012-13 academic year. For the 2013-14 academic year, the Authority limited the allowable percentage of fixed rate loans that can be originated in option III by capping this option at \$35,000,000 of the total lendable proceeds of \$199,927,369. For the 2014-15 academic year, the Authority has continued to limit the allowable percentage of fixed rate loans that can be originated in option III by capping this option at \$35,000,000 of the total lendable proceeds of \$213,664,520. After the implementation of these changes in loan underwriting standards, new NJCLASS defaults declined significantly. Total new defaults in fiscal 2014 were 34% lower than fiscal 2013 and 45% lower than fiscal 2012.

- For specific statistical information regarding default experience during fiscal 2015 and 2014, refer to **NOTES TO FINANCIAL STATEMENTS –NOTE 3, STUDENT LOANS RECEIVABLE – Loan Defaults/ Loan Reserve Fund.**

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 578,507,268	\$ 541,228,144
Investments	512,767	5,545,661
NJCLASS Student Loans Receivable, Net	64,236,980	61,451,982
FFELP Student Loans Receivable, Net	4,665,842	5,464,958
Interest Receivable:		
Investments	36,807	42,493
NJCLASS Student Loans	18,167,763	19,440,463
FFELP Student Loans	853,226	1,017,238
NJCLASS Defaulted Student Loan Principal and Interest in 2009 and 2010 Indenture Loan Reserve Funds, and 2012-1 Indenture, Net of Allowance for Doubtful Accounts of \$92,420,285 in 2015 and \$80,452,441 in 2014	45,673,368	40,592,092
Due from the Loan Reserve Fund, Net of Allowance for Doubtful Accounts of \$33,226,421 in 2015 and \$32,622,158 in 2014	14,440,313	14,736,104
Default Collections Receivable	341,257	311,452
Due from Loan Servicing Agents	93,029	125,135
Prepaid Interest Rate Cap Fees	26,370	29,869
Total Current Assets	727,554,990	689,985,591
NON-CURRENT ASSETS		
NJCLASS Student Loans Receivable, Less Current Portion	1,858,797,581	1,921,214,741
FFELP Student Loans Receivable, Less Current Portion	67,138,002	78,671,296
Total Non-Current Assets	1,925,935,583	1,999,886,037
Total Assets	2,653,490,573	2,689,871,628
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - Interest Rate Swaps	4,814,943	6,666,303
Total Deferred Outflows of Resources	4,814,943	6,666,303
Total Assets and Deferred Outflows	\$ 2,658,305,516	\$ 2,696,537,931
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Bonds Payable	\$ 143,200,000	\$ 180,500,000
Accrued Interest Payable - Bonds	9,145,584	9,218,722
Fees Payable	2,119,634	1,211,157
Due to the Loan Reserve Fund	328,475	310,824
Total Current Liabilities	154,793,693	191,240,703
NON-CURRENT LIABILITIES		
Bonds Payable, Less Current Portion	2,260,260,000	2,288,575,000
Premium on Bonds Payable, Net	24,878,571	26,174,321
Derivative Instrument Liability - Interest Rate Swaps	4,814,943	6,666,303
Total Non-Current Liabilities	2,289,953,514	2,321,415,624
Total Liabilities	2,444,747,207	2,512,656,327
NET POSITION		
Restricted	213,558,309	183,881,604
Total Liabilities and Net Position	\$ 2,658,305,516	\$ 2,696,537,931

See accompanying Notes to Financial Statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Interest Income		
NJCLASS Student Loans	\$ 146,564,510	\$ 145,771,137
FFELP Student Loans	3,049,878	3,533,718
Application/Administrative Fee Income	1,826,627	2,179,001
Repayment Fee Income	3,199,018	3,772,074
Total Operating Revenues	154,640,033	155,255,930
 OPERATING EXPENSES		
Loan Servicing Fees		
NJCLASS Student Loans	11,381,132	10,850,441
FFELP Student Loans	1,252,825	1,437,031
Total Loan Servicing Fees	12,633,957	12,287,472
Program Expenses		
Annual Insurance Expense and Transaction Fees	601,103	608,958
Bad Debt Expense	12,368,764	13,541,438
Total Program Expenses	12,969,867	14,150,396
Bond Interest Expense	100,839,061	102,292,167
Total Operating Expenses	126,442,885	128,730,035
 Operating Income, Net	28,197,148	26,525,895
 NON-OPERATING REVENUES (EXPENSES) AND OTHER CHANGES		
Income on Investments	294,206	298,557
Gain on Bond Retirements	568,562	990,563
Parity Release Distribution	(2,089,945)	(2,319,009)
Interest Rate Swap Termination Fees	-	(3,295,750)
Capital Contribution for 2014-1 Bond Issue	-	4,000,000
Capital Contribution for 2015-1 Bond Issue	2,739,000	-
Amortization Expense - Prepaid Interest Rate Cap Fees	(32,266)	(36,227)
Net Non-Operating Revenues (Expenses)	1,479,557	(361,866)
 CHANGE IN NET POSITION	29,676,705	26,164,029
 Net Position - Beginning of Year	183,881,604	157,717,575
 NET POSITION - END OF YEAR	\$ 213,558,309	\$ 183,881,604

See accompanying Notes to Financial Statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Receipts:		
NJCLASS Student Loans	\$ 126,262,208	\$ 121,966,757
FFELP Student Loans	2,709,160	3,021,689
Principal Receipts:		
NJCLASS Student Loans	221,585,112	180,110,947
FFELP Student Loans	13,765,752	12,939,620
Reimbursements from Loan Reserve Fund	4,417,404	4,559,387
Collections on Defaulted Loans	8,769,274	7,464,277
NJCLASS Student Loan Disbursements	(165,716,848)	(186,754,259)
FFELP Student Loan Purchases	(402,717)	(475,529)
Annual Insurance Expense	(601,103)	(608,958)
Transaction Fees	908,477	(73,657)
Loan Servicing Fees	(12,580,742)	(12,229,610)
Repayment of Government Interest Related to FFELP Loans	(535,540)	(577,800)
Interest Paid on Bonds	(109,368,949)	(111,407,718)
Net Cash Provided by Operating Activities	89,211,488	17,935,146
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Paid on Bonds	(245,046,438)	(236,089,436)
Bond Proceeds	187,161,000	226,064,520
Capital Contribution for 2014-1 Bond Issue	-	4,000,000
Capital Contribution for 2015-1 Bond Issue	2,739,000	-
Interest Rate Swap Termination Fees	-	(3,295,750)
Prepaid Interest Rate Cap Fees	(28,767)	(32,585)
Net Cash Used by Financing Activities	(55,175,205)	(9,353,251)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases, Sales Proceeds and Maturities, Net	5,032,894	(1,850,075)
Parity Release Distribution	(2,089,945)	(2,319,009)
Interest on Investments	299,892	278,557
Net Cash Provided (Used) by Investing Activities	3,242,841	(3,890,527)
 NET INCREASE IN CASH	37,279,124	4,691,368
 Cash and Cash Equivalents - Beginning of Year	541,228,144	536,536,776
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 578,507,268	\$ 541,228,144

See accompanying Notes to Financial Statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 28,197,148	\$ 26,525,895
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense	12,368,764	13,541,438
Effect of Net Change in Operating Assets and Liabilities:		
NJCLASS Student Loans Receivable	59,632,162	(8,259,491)
FFELP Student Loans Receivable	12,332,410	11,237,837
NJCLASS Defaulted Student Loans	(16,845,777)	(17,005,090)
Interest Receivable:		
NJCLASS Student Loans	1,272,700	2,076,104
FFELP Student Loans	164,012	144,484
Due from Loan Reserve Fund	(308,472)	(1,099,865)
Default Collections Receivable	(29,805)	(130,879)
Due from Loan Servicing Agents	32,106	52,996
Accrued Interest Payable - Bonds	(8,529,888)	(9,115,550)
Fees Payable	908,477	(73,657)
Due to Loan Reserve Fund	17,651	40,924
Net Cash Provided by Operating Activities	\$ 89,211,488	\$ 17,935,146
NON-CASH FINANCING ACTIVITIES		
Amortization - Prepaid Interest Rate Cap Fees	\$ 32,266	\$ 36,227
Amortization - Net Premium on Bonds Payable	(8,456,750)	(8,819,694)
Discount on Acquisition of Bonds	568,563	990,564
Gain on Bond Retirement	(568,563)	(990,564)
Total Non-Cash Financing Activities	\$ (8,424,484)	\$ (8,783,467)

See accompanying Notes to Financial Statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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") which are governed by various trust indentures. 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, 2015 and 2014, and its changes in net position 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 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, 2015 AND 2014

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 amendments, 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 are administered directly by the U.S. Department of Education, effective July 1, 2010. As a result, the Authority no longer originates or acquires 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, as part of a bond refunding process.

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 (GASB) is the accepted standards-setting body for establishing government accounting and financial reporting principles. The Program is required to follow all statements of the GASB.

Operating Revenues and Expenses

The Programs' operating revenues consist of application/administrative/repayment 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, 2015 AND 2014

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, and are factored into reporting for subsequent accounting periods.

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

The costs of issuance of bonds that are paid with bond funds or other resources available under the bond indentures are expensed in the year incurred. Bond issuance costs paid with other Authority funds are not recognized 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 life of the related debt using the straight-line method of amortization. Because net bond premiums exceed net bond discounts, the unamortized amount of premium and discount is shown as a net amount in the Liabilities section on the Statement of Net Position. Amortization revenue and expense is recorded as bond interest expense in the Statement of Revenues, Expenses and Changes in Net Position.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

From 2001 to 2007, the Authority entered into certain financial instrument agreements including interest rate swaps, caps and swaptions contemporaneously with the issuance of its Tax Exempt Variable Rate Bonds to support its NJCLASS loan program. These financial instruments are recorded at fair value on the statement of net position. Costs of issuance of financial instruments are expensed in the year incurred.

Restricted Net Position

In accordance with the terms of the various bond resolutions, the excess of assets and deferred outflows of resources over liabilities under such bond resolutions is classified as restricted net position, 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 Wells Fargo 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:

	<u>2015</u>	<u>2014</u>
Lockbox Cash (Wells Fargo Bank)	\$ 4,616,689	\$ 2,988,778
Trust Accounts Invested in Wells Fargo		
Secured Institutional Money Market Fund	<u>574,422,879</u>	<u>543,688,635</u>
Total	<u>\$ 579,039,568</u>	<u>\$ 546,677,413</u>

The carrying amount in these accounts at June 30, 2015 and 2014, were \$578,507,268 and \$541,228,144, respectively.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

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

- Investment policies are defined in **NOTES TO FINANCIAL STATEMENTS – NOTE 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 cash and investments at June 30, 2015 and 2014, were \$43,694,292 and \$43,909,292, 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.

The amounts held in guaranteed investment contracts and the New Jersey Cash Management Fund at June 30, 2015 and 2014, respectively, are summarized below:

	2015	2014
Guaranteed Investment Contracts	\$ 511,000	\$ 5,542,391
New Jersey Cash Management Fund	1,353	3,270
Total	\$ 512,353	\$ 5,545,661

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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 provider exceeds this threshold as follows:

Bayern LB	100.00%	2005 Issue Revenue and Debt Service Reserve Funds
-----------	---------	---

This risk is mitigated by the collateral provisions of the guaranteed investment contract that governs this investment.

Investments - Interest Rate Risk

- NJCLASS/FFELP investment policies, as described in **NOTES TO FINANCIAL STATEMENTS – NOTE 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 while the student is in school and thereafter to pay principal and interest monthly; or
- (3) To defer principal and interest payments while the student is in school and thereafter to pay principal and interest monthly. Deferred interest on option 3 is periodically added to the loan principal balance.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

Under options 1 and 2 as defined above, the NJCLASS loans originated since the inception of the Program in 1991 generally bear interest at initial rates ranging from 5.25% to 8.95%, and option 3 rates have ranged from 5.55% to 9.25%. All fixed rate NJCLASS loans, with the exception of Consolidation loans and Medical/Dental loans, have a step up rate that is .75% higher than the initial rate. The step up rate becomes effective in the 49th month in repayment, with the exception of option 3 loans, which beginning in the 2011-12 academic year; adjust in the 13th month of repayment.

Beginning in 1997, HESAA began offering a non-credit-based variable rate loan with an annual rate reset and initially a 23-year repayment term to qualifying graduate students. Any variable rate loans funded that were disbursed on June 1, 2001 or later are subject to an interest rate cap of 9%. This variable rate program was discontinued in 2006 and replaced by a new fixed rate Graduate/Professional NJCLASS Loan product with a 25-year term.

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.

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 was discontinued in the 2012-13 academic year.

Concurrent with the issuance of the 2010-2 Bonds, the Authority introduced the 10-year fixed rate NJCLASS Student Loan. These student loans (known as Ten Year Option 1 Loans) offer only option 1 repayment (immediate payment of principal and interest) following disbursement, and only limited deferment or forbearance options.

Concurrent with the issuance of the 2014-1 Bonds, the Authority introduced the 10-year variable rate NJCLASS Student Loan. These student loans (known as Ten Year Variable Rate Option 1 Loans) offer only option 1 repayment (immediate payment of principal and interest) following disbursement, and only limited deferment or forbearance options. The interest rate on these loans is based on three month LIBOR + 4.25%, resets quarterly, and is subject to a 9.5% maximum interest rate. No proceeds of the 2015-1 Bonds have been allocated to originate 10-year variable rate NJCLASS loans.

Over the life of the NJCLASS Program, the loan terms offered, credit policies and underwriting criteria have been periodically adjusted to meet perceived borrower preferences and needs, as well as when such changes are deemed necessary for the best interests of the NJCLASS Loan Program. Recent changes in underwriting criteria are described in **Management Discussion and Analysis – Current Conditions**. The loan rates, borrower fees and terms offered in the 2015-16, 2014-15 and 2013-14 academic years are shown in the chart below.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

NJCLASS Loan Rates, Fees and Terms

2015 -2016 Academic Year

Loan Description	Initial Rate	Stepup Rate	Administrative Fee	Loan Term in Years	Month in repayment when stepup rate begins
Fixed Rate Option 1 & 2	6.20%	6.95%	3%	15	49
Fixed Rate Option 3	7.85%	8.60%	3%	20	13
Fixed Rate Option 1 - 10 Year	4.99%	5.74%	3%	10	49
Variable Rate Option 1 - 10 Year *	4.53%	4.53%	0%	10	N/A
Graduate/Professional Fixed Rate - Option 1 & 2	6.20%	6.95%	3%	25	49
Graduate/Professional Fixed Rate - Option 3	7.85%	8.60%	3%	25	49
NJCLASS Consolidation	Weighted average of underlying loans + 25 basis points	N/A	1.00%	25 or 30 Years	N/A

* Variable Rate 10 Year Option 1 Loan interest rate changes quarterly.

2014 -2015 Academic Year

Loan Description	Initial Rate	Stepup Rate	Administrative Fee	Loan Term in Years	Month in repayment when stepup rate begins
Fixed Rate Option 1 & 2	6.95%	7.70%	3%	15	49
Fixed Rate Option 3	8.40%	9.15%	3%	20	13
Fixed Rate Option 1 - 10 Year	5.99%	6.74%	3%	10	49
Variable Rate Option 1 - 10 Year *	4.48%	4.48%	0%	10	N/A
Graduate/Professional Fixed Rate - Option 1 & 2	6.95%	7.70%	3%	25	49
Graduate/Professional Fixed Rate - Option 3	8.40%	9.15%	3%	25	49
NJCLASS Consolidation	Weighted average of underlying loans + 25 basis points	N/A	1.00%	25 or 30 Years	N/A

* Variable Rate 10 Year Option 1 Loan interest rate changes quarterly.

2013 -2014 Academic Year

Loan Description	Initial Rate	Stepup Rate	Administrative Fee	Loan Term in Years	Month in repayment when stepup rate begins
Fixed Rate Option 1 & 2	6.65%	7.40%	3%	15	49
Fixed Rate Option 3	8.05%	8.80%	3%	20	13
Fixed Rate Option 1 - 10 Year	5.49%	6.24%	3%	10	49
Graduate/Professional Fixed Rate - Option 1 & 2	6.65%	7.40%	3%	25	49
Graduate/Professional Fixed Rate - Option 3	8.05%	8.80%	3%	25	49
NJCLASS Consolidation	Weighted average of underlying loans + 25 basis points	N/A	1.00%	25 or 30 Years	N/A

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

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, that are paid from Program revenues. For the years ended June 30, 2015 and 2014, \$11,381,132 and \$10,850,441 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, 2015 and 2014, the fees include administrative expenses of \$177,581 and \$205,891, respectively, paid to the Authority and fees paid to servicing agents of \$418,307 and \$485,534, respectively. In addition, for the years ended June 30, 2015 and 2014, loan consolidation rebate fees of \$647,291 and \$737,444, respectively, were paid to the United States Department of Education.

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."

For most of its NJCLASS bond issues, 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 percentage of original loan principal specified by the appropriate master indenture.

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 Trust Estate, 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 2015 and 2014, default claims paid by the external loan reserve funds established for the 1998 and 2008 Indentures totalled \$4,399,753 and \$4,518,464, respectively, and new claims for the same periods totalled \$4,708,225 and \$5,618,328. As of June 30, 2015 and 2014, the balances due from the external loan reserve funds to cover defaulted loans totalled \$47,666,734 and \$47,358,262, respectively.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

Loan Defaults/Loan Reserve Fund (Continued)

For the fiscal years 2015 and 2014, collections on defaulted loans within 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 \$8,443,441 and \$7,495,487, respectively, and new defaulted loans for the same periods totalled \$21,969,213 and \$23,782,317. As of June 30, 2015 and 2014, the balances due from these loan reserve funds to cover defaulted loans within the 2009, 2010-1 and 2010-2 Indentures, as well as and from loans originated under the 2012-1 Indenture, under which a loan reserve fund was not established, totaled \$138,093,653 and \$121,044,533, respectively.

Amounts due to and from these internal loan reserve funds are eliminated in the Statements of Net Position, but are shown in the Combining Schedules of Net Position.

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 2015 and 2014, based on past collections experience and an analysis of the current receivable from its Loan Reserve Funds, management recorded allowances for doubtful accounts in the amount of \$33,226,420 and \$32,622,158, respectively, against the June 30, 2015 and 2014 amounts due from the external Loan Reserve Funds. Allowances for doubtful accounts recorded against the June 30, 2015 and 2014 amounts due from the internal Loan Reserve Funds totalled \$92,420,285 and \$80,452,441, respectively.

In addition, when applicable under specific bond indentures, the Loan Reserve Funds received 1% of the loan amount disbursed from the application fee paid by the borrower, and 70% of collections on defaulted loans. Under the terms 2012-1 Indenture, which includes the 2012-1, 2013-1, and 2014-1 Bond Issues, no loan reserve fund was established. As of June 30, 2015 and 2014, the balances due to the Loan Reserve Funds from default collections totalled \$328,475 and \$310,824, respectively.

NOTE 4 USE OF FINANCIAL INSTRUMENTS

The Authority has entered into financial instrument Swap and Cap Agreements (the "Agreements") with various counterparties, in general, contemporaneously with the issuance of its Tax Exempt Variable Rate Bonds, also known as 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 hedge the Authority's ARC bonds and/or fixed-rate NJCLASS loans being funded through the proceeds of the variable rate ARC bonds.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 or ARC bonds as applicable.

The total original notional amount of all Swap and Cap agreements entered into in connection with the ARCs was \$479,550,000. The total maximum notional amounts as defined on the amortization schedules of the respective Swap agreements was \$1,143,450,000. Subsequent decreases in the notional amounts are due to scheduled amortization of \$187,211,326 and early Swap terminations of \$863,523,705, which reduced the combined outstanding notional amount to \$79,910,735 as of June 30, 2015.

Certain swap agreements contain a feature that gives HESAA the option to terminate the swap on or after a predetermined date at no cost. This financial instrument is classified as a "Swaption." The fair values of these Swaptions are included in the fair market value of the Swap and reported as deferred outflows of resources and liabilities on the Statement of Net Position.

The Authority has tested the Agreements for hedge effectiveness in accordance with GASB Statement No. 53. All of the Agreements have been found to be effective and, therefore, the fair value of the Swaps has been recorded as a deferred outflow and a liability on the statement of net position.

The interest rates, notional amounts, provider (or counterparty), fair values and termination dates for each Agreement outstanding at June 30, 2015 and 2014 are detailed in the following schedules.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2015

Transaction Type	Bond Issue (2)	Fixed Rate	Notional Amount	Fair Value (1)	Provider	Settlement Occur	Termination Date
Swap	2003	3.1710%	\$ 20,250,000	\$ 171,062	UBS AG	Semi-Annually	12/01/18
Cap		6.4000%	1,300,000	1,016,657	UBS AG	Semi-Annually	06/01/19
Cap		6.1500%	7,200,000	(202)	UBS AG	Annually	06/01/28
		Total	<u>28,750,000</u>	<u>1,187,517</u>			
Swap	2006	4.4750%	<u>12,146,897</u>	<u>1,197,048</u>	Citigroup	Semi-Annually	12/01/31
		Total	<u>12,146,897</u>	<u>1,197,048</u>			
Swap	2007	4.0970%	20,595,582	1,282,971	Citigroup	Semi-Annually	06/01/36
Swap		4.0970%	<u>18,418,256</u>	<u>1,147,407</u>	UBS AG	Semi-Annually	06/01/36
		Total	<u>39,013,838</u>	<u>2,430,378</u>			
	Grand Total		<u>\$ 79,910,735</u>	<u>\$ 4,814,943</u>			

(1) All fair values that result in a positive value to the swap provider are shown as positive amounts. All fair values that result in a positive value to HESAA are shown as negative amounts.

(2) Indicates the year the financial instrument was issued.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2014

Transaction Type	Bond Issue (2)	Fixed Rate	Notional Amount	Fair Value (1)	Provider	Settlement Occur	Termination Date
Swap	2003	3.1710%	\$ 26,000,000	\$ 1,554,072	UBS AG	Semi-Annually	12/01/18
Cap		6.4000%	3,300,000	(494)	UBS AG	Semi-Annually	06/01/19
Cap		6.1500%	8,200,000	187,359	UBS AG	Annually	06/01/28
		Total	<u>37,500,000</u>	<u>1,740,936</u>			
Swap	2006	4.4750%	12,999,310	1,506,978	Citigroup	Semi-Annually	12/01/31
Swaption			-	-	Citigroup		12/01/31
		Total	<u>12,999,310</u>	<u>1,506,978</u>			
Swap	2007	4.0970%	22,284,264	1,804,532	Citigroup	Semi-Annually	06/01/36
Swap		4.0970%	19,931,395	1,613,857	UBS AG	Semi-Annually	06/01/36
		Total	<u>42,215,659</u>	<u>3,418,389</u>			
		Grand Total	<u>\$ 92,714,969</u>	<u>\$ 6,666,303</u>			

(1) All fair values that result in a positive value to the swap provider are shown as positive amounts. All fair values that result in a positive value to HESAA are shown as negative amounts.

(2) Indicates the year the financial instrument was issued.

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

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

Bonds Outstanding

The following schedules present summarized information relating to the interest rates and future maturities of the bonds outstanding as of June 30, 2015 and 2014:

Bonds Outstanding June 30, 2015								
Student Loan Revenue Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2014	Maturity Dates	Bonds Outstanding (in thousands)			Bonds Outstanding (in thousands)		Amounts Due within One Year
			June 30, 2014	Additions	Reductions	June 30, 2015		
2002, Series A through D ⁽¹⁾	0.047%-0.064% (ARCs)	6/1/2037	\$ 1,500	\$ -	\$ 50	\$ 1,450	\$ -	
2003, Series A through D ⁽¹⁾	0.260%-0.300% (ARCs)	5/28/2038	34,600	-	-	34,600	-	
2004, Series A through D ⁽¹⁾	0.029%-0.260% (ARCs)	4/1/2039	34,050	-	-	34,050	-	
2005, Series A through D ⁽¹⁾	0.041%-0.300% (ARCs)	5/1/2040	30,400	-	4,850	25,550	-	
2006, Series A through D ⁽¹⁾	0.041%-0.300% (ARCs)	12/1/2040	1,875	-	-	1,875	-	
2007, Series A through D ⁽¹⁾	0.040%-0.056% (ARCs)	12/1/2041	1,625	-	325	1,300	-	
2008, Series A	5.875%-6.125%	6/1/2021, 6/1/2030	245,895	-	36,650	209,245	-	
2009, Series A	4.000%-5.625%	6/1/2015-6/1/2030	374,000	-	45,100	328,900	23,500	
2010-1, Series A&B	3.25%-5.40%	12/1/2014-12/1/2037	506,600	-	54,700	451,900	45,600	
2010, Series FFELP ⁽²⁾	1.18%	6/1/2036	80,230	-	11,495	68,735	20,000	
2010-2	3.00%-5.00%	12/1/2014-12/1/2036	192,900	-	28,900	164,000	18,100	
2011-1	3.50%-5.875%	12/1/2014-12/1/2033	291,100	-	30,300	260,800	13,000	
2012-1	3.00%-5.75%	12/1/2014-12/1/2039	254,300	-	22,900	231,400	13,000	
2013-1	3.00%-4.75%	12/1/2014-12/1/2043	200,000	-	3,000	197,000	6,000	
2014-1 Series A-1 & B	4.00%-5.00%	12/1/2015-12/1/2044	195,000	-	-	195,000	4,000	
2014-1, Series A-2 ⁽³⁾	1.71%	12/1/2023	25,000	-	7,345	17,655	-	
2015-1	4.00%-5.00%	12/1/2016-12/1/2044	-	180,000	-	180,000	-	
Totals			<u>\$ 2,469,075</u>	<u>\$ 180,000</u>	<u>\$ 245,615</u>	<u>\$ 2,403,460</u>	<u>\$ 143,200</u>	

(1) All 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, 2014.

(2) The 2010-FFELP Bonds are Tax Exempt LIBOR Floating Rate Bonds, originally consisting of Class A-1 & Class A-2 Bonds. The interest rate on the Class A-1 Bonds, which are fully retired at June 30, 2014 was 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.

(3) The 2014-1A-2 Bonds are LIBOR Floating Rate Bonds, which have been purchased directly from the Authority by Banc of America Preferred Funding Corporation, pursuant to a Variable Rate Bond Purchase Agreement, dated April 28, 2014. The interest rate on the 2014-1 Series A-2 Bonds is 100% of 3 Month LIBOR plus 1.50%, but not to exceed 8.00%. Interest is paid quarterly.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bonds Outstanding June 30, 2014							
Student Loan Revenue Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2014	Maturity Dates	Bonds Outstanding (in thousands) June 30, 2013	Additions	Reductions	Bonds Outstanding (in thousands) June 30, 2014	Amounts Due within One Year
2002, Series A through D ⁽¹⁾	0.047%-0.064% (ARCs)	6/1/2037	\$ 3,500	\$ -	\$ 2,000	\$ 1,500	\$ -
2003, Series A through D ⁽¹⁾	0.260%-0.300% (ARCs)	5/28/2038	47,600	-	13,000	34,600	-
2004, Series A through D ⁽¹⁾	0.029%-0.260% (ARCs)	4/1/2039	34,050	-	-	34,050	-
2005, Series A through D ⁽¹⁾	0.041%-0.300% (ARCs)	5/1/2040	35,050	-	4,650	30,400	-
2006, Series A through D ⁽¹⁾	0.041%-0.300% (ARCs)	12/1/2040	5,550	-	3,675	1,875	-
2007, Series A through D ⁽¹⁾	0.040%-0.056% (ARCs)	12/1/2041	1,675	-	50	1,625	-
2008, Series A	5.875%-6.125%	6/1/2021, 6/1/2030	271,895	-	26,000	245,895	14,500
2009, Series A	4.000%-5.625%	6/1/2015-6/1/2030	412,200	-	38,200	374,000	35,000
2010-1, Series A&B	3.25%-5.40%	12/1/2014-12/1/2037	580,780	-	74,180	506,600	48,000
2010, Series FFELP ⁽²⁾	1.18%	6/1/2036	90,455	-	10,225	80,230	20,000
2010-2	3.00%-5.00%	12/1/2014-12/1/2036	223,400	-	30,500	192,900	24,100
2011-1	3.50%-5.875%	12/1/2014-12/1/2033	320,700	-	29,600	291,100	20,900
2012-1	3.00%-5.75%	12/1/2014-12/1/2039	259,300	-	5,000	254,300	15,000
2013-1	3.00%-4.75%	12/1/2014-12/1/2043	200,000	-	-	200,000	3,000
2014-1 Series A-1 & B	4.00%-5.00%	12/1/2015-12/1/2044		195,000		195,000	-
2014-1, Series A-2 ⁽³⁾	1.71%	12/1/2023	-	25,000	-	25,000	-
Totals			<u>\$ 2,486,155</u>	<u>\$ 220,000</u>	<u>\$ 237,080</u>	<u>\$ 2,469,075</u>	<u>\$ 180,500</u>

(1) All 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, 2014.

(2) The 2010-FFELP Bonds are Tax Exempt LIBOR Floating Rate Bonds, originally consisting of Class A-1 & Class A-2 Bonds. The interest rate on the Class A-1 Bonds, which are fully retired at June 30, 2014 was 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.

(3) The 2014-1A-2 Bonds are LIBOR Floating Rate Bonds, which have been purchased directly from the Authority by Banc of America Preferred Funding Corporation, pursuant to a Variable Rate Bond Purchase Agreement, dated April 28, 2014. The interest rate on the 2014-1 Series A-2 Bonds is 100% of 3 Month LIBOR plus 1.50%, but not to exceed 8.00%. Interest is paid quarterly.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

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, 2015.

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 2007. 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.

The 2008, 2009, 2010-1, 2010-2, 2011-1, 2012-1, 2013-1, 2014-1 and 2015-1 Bonds that are eligible for redemption prior to maturity are also eligible for special optional redemption from excess revenues at the option of the Authority, plus accrued interest. During the 2015 fiscal year, a total of \$116,550,000 of bonds within each of these respective issues were redeemed under this provision and are included in the Cumulative Schedule of Bond Redemptions at June 30, 2015.

Optional Redemptions

Each indenture also contains provisions for the optional redemptions of NJCLASS fixed rate bonds.

All 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.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

Optional Redemptions (Continued)

The following chart outlines the optional redemption provisions for the 2008 through 2015-1 bonds. Bonds maturing prior to these dates are not subject to optional redemption prior to maturity.

Bond	Maturity	Subject to Optional Redemption	First Eligible Call Date
2008	On or After 6/1/19	Yes at par plus accrued interest	June 1, 2018
2009A	Prior to 6/1/20	No	
2009A	On or After 6/1/20	Yes at par plus accrued interest	June 1, 2019
2010-1A	Prior to 12/1/20	No	
2010-1A	On or After 12/1/20	Yes at par plus accrued interest	December 1, 2019
2010-2	Prior to 12/1/21	No	
2010-2	On or After 12/1/21	Yes at par plus accrued interest	December 1, 2020
2011-1	Prior to 12/1/22	No	
2011-1	On or After 12/1/22	Yes at par plus accrued interest	December 1, 2021
2012-1	Prior to 12/1/23	No	
2012-1	On or After 12/1/23	Yes at par plus accrued interest	December 1, 2022
2013-1	Prior to 12/1/23	No	
2013-1	On or After 12/1/23	Yes at par plus accrued interest	December 1, 2022
2014-1	Prior to 12/1/24	No	
2014-1	On or After 12/1/24	Yes at par plus accrued interest	December 1, 2023
2015-1	Prior to 12/1/25	No	
2015-1	On or After 12/1/25	Yes at par plus accrued interest	December 1, 2024

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 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 2013 through 2019 and thereafter, are included in the maturity schedule shown on page 35.

Cumulative Redemptions

The following schedules present 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.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

Cumulative Redemptions (Continued)

Cumulative Schedule of Bond Redemptions at June 30, 2015

Bond Issue	Original Principal	Semi-Annual Accretion	Scheduled Maturity	Excess Revenue Redemption	Unexpended Proceeds Redemption	Optional Redemption	Special Redemption	Special Optional Redemption	Bond Tender (1)	Refunded	Current Principal Outstanding at June 30, 2015
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	-	(6,625,000)	(25,830,000)	-	(12,445,000)	(5,100,000)	-	-	-	-
1999B	12,000,000	-	-	-	-	-	-	-	-	(12,000,000)	-
2000	70,000,000	-	(15,675,000)	(29,530,000)	-	(17,030,000)	(7,765,000)	-	-	-	-
2001	190,000,000	-	-	-	-	(3,000,000)	(60,850,000)	-	(126,150,000)	-	-
2002	166,000,000	-	-	-	-	-	(61,000,000)	-	(103,550,000)	-	1,450,000
2003	212,000,000	-	-	-	-	-	(56,400,000)	-	(121,000,000)	-	34,600,000
2004	200,000,000	-	-	-	-	-	-	-	(165,950,000)	-	34,050,000
2005	225,000,000	-	-	-	-	-	(14,600,000)	-	(184,850,000)	-	25,550,000
2006	225,000,000	-	-	-	-	-	(30,400,000)	-	(192,725,000)	-	1,875,000
2007	275,000,000	-	-	-	-	-	(18,000,000)	-	(255,700,000)	-	1,300,000
2008	350,000,000	-	-	-	(19,405,000)	-	-	(121,350,000)	-	-	209,245,000
2009	450,000,000	-	(37,000,000)	-	-	-	-	(84,100,000)	-	-	328,900,000
2010-1	713,000,000	-	(107,880,000)	-	-	-	-	(153,220,000)	-	-	451,900,000
2010-FFELP	145,000,000	-	-	(76,265,000)	-	-	-	-	-	-	68,735,000
2010-2	280,000,000	-	(43,900,000)	-	-	-	-	(72,100,000)	-	-	164,000,000
2011-1	326,500,000	-	(30,400,000)	-	-	-	-	(35,300,000)	-	-	260,800,000
2012-1	259,300,000	-	(12,000,000)	-	-	-	-	(15,900,000)	-	-	231,400,000
2013-1	200,000,000	-	(3,000,000)	-	-	-	-	-	-	-	197,000,000
2014-1	220,000,000	-	-	-	(7,345,000)	-	-	-	-	-	212,655,000
2015-1	180,000,000	-	-	-	-	-	-	-	-	-	180,000,000
Totals	\$ 4,978,796,064	\$ 3,562,871	\$ (303,645,000)	\$ (280,223,935)	\$ (29,350,000)	\$ (55,670,000)	\$ (254,115,000)	\$ (481,970,000)	\$ (1,149,925,000)	\$ (24,000,000)	\$ 2,403,460,000

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

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

Cumulative Redemptions (Continued)

Cumulative Schedule of Bond Redemptions at June 30, 2014

Bond Issue	Original Principal	Semi-Annual Accretion	Scheduled Maturity	Excess Revenue Redemption	Unexpended Proceeds Redemption	Optional Redemption	Special Redemption	Special Optional Redemption	Bond Tender (1)	Refunded	Current Principal Outstanding at June 30, 2014
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	-	(6,625,000)	(25,830,000)	-	(12,445,000)	(5,100,000)	-	-	-	-
1999B	12,000,000	-	-	-	-	-	-	-	-	(12,000,000)	-
2000	70,000,000	-	(15,675,000)	(29,530,000)	-	(17,030,000)	(7,765,000)	-	-	-	-
2001	190,000,000	-	-	-	-	(3,000,000)	(60,850,000)	-	(126,150,000)	-	-
2002	166,000,000	-	-	-	-	-	(60,950,000)	-	(103,550,000)	-	1,500,000
2003	212,000,000	-	-	-	-	-	(56,400,000)	-	(121,000,000)	-	34,600,000
2004	200,000,000	-	-	-	-	-	-	-	(165,950,000)	-	34,050,000
2005	225,000,000	-	-	-	-	-	(9,750,000)	-	(184,850,000)	-	30,400,000
2006	225,000,000	-	-	-	-	-	(30,400,000)	-	(192,725,000)	-	1,875,000
2007	275,000,000	-	-	-	-	-	(17,675,000)	-	(255,700,000)	-	1,625,000
2008	350,000,000	-	-	-	(19,405,000)	-	-	(84,700,000)	-	-	245,895,000
2009	450,000,000	-	(15,000,000)	-	-	-	-	(61,000,000)	-	-	374,000,000
2010-1	713,000,000	-	(65,880,000)	-	-	-	-	(140,520,000)	-	-	506,600,000
2010-FFELP	145,000,000	-	-	(64,770,000)	-	-	-	-	-	-	80,230,000
2010-2	280,000,000	-	(27,800,000)	-	-	-	-	(59,300,000)	-	-	192,900,000
2011-1	326,500,000	-	(15,500,000)	-	-	-	-	(19,900,000)	-	-	291,100,000
2012-1	259,300,000	-	(5,000,000)	-	-	-	-	-	-	-	254,300,000
2013-1	200,000,000	-	-	-	-	-	-	-	-	-	200,000,000
2014-1	220,000,000	-	-	-	-	-	-	-	-	-	220,000,000
Totals	\$ 4,798,796,064	\$ 3,562,871	\$ (198,645,000)	\$ (268,728,935)	\$ (22,005,000)	\$ (55,670,000)	\$ (248,890,000)	\$ (365,420,000)	\$ (1,149,925,000)	\$ (24,000,000)	\$ 2,469,075,000

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

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

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

As required by the 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 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 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. No bonds from any of these issues have been converted to fixed or variable rate bonds to date.

The 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 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>
2016	\$ 143,200,000	\$ 110,157,573.13	\$ 253,357,573
2017	163,500,000	103,966,305.43	267,466,305
2018	179,000,000	96,804,693.96	275,804,694
2019	165,935,000	89,289,534.58	255,224,535
2020-2024	636,880,000	351,139,052	988,019,052
2025-2029	465,885,000	221,421,538	687,306,538
2030-2034	469,735,000	69,439,757	539,174,757
2035-2039	133,200,000	34,045,013	167,245,013
2040-2043	46,125,000	11,519,430	57,644,430
Total	<u>\$ 2,403,460,000</u>	<u>\$ 1,087,782,896</u>	<u>3,491,242,896</u>
Less Amount Representing Interest			<u>1,087,782,896</u>
Net Minimum Principal Payments			<u><u>\$ 2,403,460,000</u></u>

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2010-2, 2011-1, 2012-1, 2013-1, 2014-1 and 2015-1 Bonds. Bond premiums, net of discount are reported as liabilities. Bond premiums and discounts are amortized over the life of the related debt using the straight-line method of amortization. The unamortized amount of premium and discount is shown as a net amount in the Liabilities section on the Statement of Net Position, and amortization revenue and expense is credited or charged to bond interest expense in the Statement of Revenues, Expenses and Changes in Net Position. Related amounts as of June 30, 2015 and 2014 are as follows:

	2015	2014
Bond Premium	\$ 73,781,324	\$ 65,269,054
Accumulated Amortization	(41,101,474)	(31,820,285)
Total Unamortized Bond Premium	<u>\$ 32,679,850</u>	<u>\$ 33,448,769</u>
Cumulative Amortization Revenue	<u>\$ 9,281,189</u>	<u>\$ 9,400,421</u>
Bond Discount	\$ 10,711,756	\$ 9,360,486
Accumulated Amortization	(2,910,477)	(2,086,038)
Total Unamortized Bond Discount	<u>\$ 7,801,279</u>	<u>\$ 7,274,449</u>
Cumulative Amortization Expense	<u>\$ 824,439</u>	<u>\$ 580,727</u>
Net Unamortized Bond Premium	<u>\$ 24,878,571</u>	<u>\$ 26,174,321</u>
Net Amortization Revenue	<u>\$ 8,456,750</u>	<u>\$ 8,819,694</u>

Risk of Bond Interest Rate Fluctuations

All Authority 2002 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 funded by those issues, its largest revenue source. Disruptions in the auction 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, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

Risk of Bond Interest Rate Fluctuations (Continued)

As long as the 2002 through 2007 Bonds remain outstanding as ARCs, 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, 2015, 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 \$1,976,672, and is 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.

Gains on Bond Retirements

During 2015 and 2014, due to market conditions in which investments in ARC bonds could not be resold at par through the auction process, several broker/dealer firms, which were holders of these bonds or agents of the holders, made offers to HESAA to sell back portions of their holdings at below par.

As a result, the Authority repurchased and retired \$5,225,000 of its ARC bonds through Special Redemptions, as permitted under the indentures, at prices averaging 89.1% of par, resulting in total gains on retirement of \$568,562 during the year ended June 30, 2015.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 BONDS PAYABLE (CONTINUED)

Gains on Bond Retirements (Continued)

During the year ended June 30, 2014, the Authority repurchased and retired \$23,375,000 of its ARC bonds through Special Redemptions and public tenders, as permitted under the indentures, at prices averaging 95.7% of par, resulting in total gains on retirement of \$990,563 during the year ended June 30, 2014.

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. No arbitrage expense was accrued or paid during the 2015 or 2014 fiscal years.

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, 2015 and 2014, the liability for amounts payable to the counterparties associated with the financial instruments specified in Note 1 was \$227,587 and \$257,308, 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 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 year ended June 30, 2014, the Authority terminated the two swap agreements with the counterparty J.P. Morgan. These agreements were associated with the 2002 Bond Issue and had an outstanding notional amount of \$40,300,000 prior to termination. There was a loss of \$3.3 million in interest rate swap termination fees.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 CONCENTRATION OF CREDIT RISK (CONTINUED)

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. HESAA management continually monitors the performance of the NJCLASS and FFELP loan portfolios and maintains loan reserve funds for the 1998, 2008, 2009, 2010-1, and 2010-2 Master Indentures, which were 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 cash flows of the loan reserve fund in combination with those of the bond issues adequate in light of actual loan default experience.

NOTE 8 SUBSEQUENT EVENTS

On July 6, 2015, HESAA retired \$71,700,000 of its 2008, 2009, 2010-1, 2010-2, 2011-1, 2012-1 and 2013-1 Bonds, through special optional redemption from excess revenues. These redemptions are made possible by better than expected cash flows on the student loans associated with these bond issues.

On August 7, 2015, through special optional redemption, HESAA retired \$75,000 par amount of its 2006 Series B Bonds at a price of \$70,125, which is 93.5% of face value, plus accrued interest, and \$1,125,000 of its 2007 Series B Bonds at a price of \$1,096,875, which is 97.5% of face value, plus accrued interest.

On August 12, 2015, through special optional redemption, HESAA retired \$250,000 par amount of its 2002 Series D Bonds at a price of \$245,000, which is 98.0% of face value, plus accrued interest, and \$125,000 of its 2006 Series B Bonds at a price of \$122,500, which is 98.0% of face value, plus accrued interest.

NOTE 9 RECENT ACCOUNTING STANDARDS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015. This Statement will become effective for the June 30, 2016 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 72 on its financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9 RECENT ACCOUNTING STANDARDS (CONTINUED)

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local government employers and are not within the scope of GASB 68. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the June 30, 2017 year-end. Management does not believe that this statement will have any effect on the Authority's financial statements for the NJCLASS/FFELP Loan Programs.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). This statement establishes financial reporting for state and local governmental OPEB plans and defined contribution OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the June 30, 2017 year-end. Management does not believe that this statement will have any effect on the Authority's financial statements for the NJCLASS/FFELP Loan Programs.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local government employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employees through OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2017. This Statement will become effective for June 30, 2018 year-end. Management does not believe that this statement will have any effect on the Authority's financial statements for the NJCLASS/FFELP Loan Programs.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"). This statement establishes the hierarchy of GAAP for state and local governments. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities and establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015. This Statement will become effective for the June 30, 2016 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 76 on its financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9 RECENT ACCOUNTING STANDARDS (CONTINUED)

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"). This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both agreements that are entered into by the reporting government and agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement are effective for financial statements in periods beginning after December 15, 2015. This Statement will become effective for the June 30, 2017 year-end. The Authority is currently evaluating the effect of implementation of this Statement.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2015

	1998-2001*	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 FFELP	2010-2	2011-1	2010-2 Indenture Loan Reserve	2012-1	2013-1	2014-1
ASSETS																			
CURRENT ASSETS																			
Cash and Cash Equivalents	\$ 8,424,676	\$ 2,058,365	\$ 13,175,516	\$ 4,253,028	\$ 3,318,173	\$ 1,621,149	\$ 196,915	\$ 20,237,856	\$ 34,029,221	\$ -	\$ 80,173,587	\$ -	\$ 3,204,007	\$ 35,128,123	\$ 32,640,522	\$ -	\$ 28,624,437	\$ 25,117,776	\$ 96,449,794
Investments	-	-	-	-	511,413	-	-	-	-	434	-	34	-	0	886	-	-	-	-
NJCLASS Student Loans Receivable	1,111,175	261,130	2,886,876	541,594	509,039	244,100	104,834	7,261,977	9,256,305	-	16,415,196	-	6,660,761	8,002,666	-	-	5,894,795	2,815,791	2,270,741
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	4,665,842	-	-	-	-	-	-
NJCLASS Defaulted Principal and Interest in 2009 and 2010 LRFs, Net of Allowance of \$92,420,285	-	-	-	-	-	-	-	-	-	15,674,249	-	16,273,905	-	-	-	12,511,555	732,513	473,262	7,884
Due from External Loan Reverse Funds, Net of Allowance of \$33,226,421	2,128,652	655,821	3,096,377	1,142,854	1,537,987	781,745	561,798	4,535,078	-	-	-	-	-	-	-	-	-	-	-
Interest Receivable - Investments	572	135	887	288	225	108	9	1,269	2,145	-	5,297	-	186	2,328	2,113	-	1,871	1,580	6,870
Interest Receivable - NJCLASS Student Loans	84224.22	46,716	278,294	77,059	147,477	77,186	35519.28	1,975,060	3,229,611	-	3,475,635	-	1,470,608	2,173,403	-	-	1,805,735	1,721,664	1,569,516
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	-	853,226	-	-	-	-	-	-
Due from Other Bond Issue Funds	-	-	-	-	-	-	-	42,143	24,340	-	-	-	-	-	-	-	-	-	(105,145)
Due from/to 2009 and 2010 Loan Reserve Funds	-	-	-	-	-	-	-	-	30,395,277	(30,395,277)	66,166,937	(66,166,937)	-	12,030,394	10,220,853	(22,251,247)	-	-	-
Default Collections Receivable	-	-	-	-	-	-	-	-	-	120,911	-	151,587	-	-	-	-	68,759	-	-
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	-	-	-	93,029	-	-	-	-	-	-
Prepaid Interest Rate-Cap Fees	-	-	26,370	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	11,749,299	3,022,166	19,464,321	6,014,823	6,024,314	2,724,288	899,075	34,053,383	76,936,898	(14,599,683)	166,236,652	(49,741,411)	8,816,290	55,292,214	53,066,023	(9,670,047)	37,071,546	30,130,072	100,199,659
NON-CURRENT ASSETS																			
NJCLASS Student Loans Receivable	3,068,591	2,720,636	33,952,853	6,658,867	11,487,049	6,076,996	2,333,009	186,440,004	290,436,400	-	405,772,393	-	-	156,495,095	228,173,621	-	221,124,961	182,786,778	121,223,033
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	67,138,002	-	-	-	-	-	-
Total Non-Current Assets	3,068,591	2,720,636	33,952,853	6,658,867	11,487,049	6,076,996	2,333,009	186,440,004	290,436,400	-	405,772,393	-	67,138,002	156,495,095	228,173,621	-	221,124,961	182,786,778	121,223,033
Total Assets	\$ 14,817,891	\$ 5,742,803	\$ 53,417,173	\$ 12,673,690	\$ 17,511,363	\$ 8,801,284	\$ 3,232,084	\$ 220,493,386	\$ 367,373,298	\$ (14,599,683)	\$ 572,009,046	\$ (49,741,411)	\$ 75,954,292	\$ 211,787,309	\$ 281,239,645	\$ (9,670,047)	\$ 258,196,507	\$ 212,916,851	\$ 221,422,692
Deferred Outflows of Resources																			
Deferred Outflow - Interest Rate Swap	-	-	1,187,517	-	-	1,197,048	2,430,378	-	-	-	-	-	-	-	-	-	-	-	-
Total Deferred Outflows of Resources	\$ -	\$ -	\$ 1,187,517	\$ -	\$ -	\$ 1,197,048	\$ 2,430,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES																			
CURRENT LIABILITIES																			
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,500,000	\$ -	\$ 45,600,000	\$ -	\$ 20,000,000	\$ 18,100,000	\$ 13,000,000	\$ -	\$ 13,000,000	\$ 6,000,000	\$ 4,000,000
Accrued Interest Payable - Bonds	6,310	1,067	77,463	21,706	13,538	44,346	85,329	1,068,021	1,437,799	-	1,829,183	-	73,933	629,415	1,120,999	-	887,198	689,898	703,214
Fees Payable	154,771	10,175	54,751	18,711	15,073	6,810	3,927	166,233	240,151	173	409,916	-	143,925	174,666	166,217	-	141,603	229,489	182,538
Due to the Loan Reserve Fund	54,199	31,274	55,811	52,728	26,806	11,502	8,315	88,040	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	215,279	42,516	187,826	93,145	55,418	62,657	97,571	1,322,294	25,177,950	173	47,839,100	-	20,217,859	18,904,081	14,287,216	-	14,028,801	6,919,387	4,885,752
NON-CURRENT LIABILITIES																			
Bonds Payable	-	1,450,000	34,600,000	34,050,000	25,550,000	1,875,000	1,300,000	209,245,000	305,400,000	-	406,300,000	-	48,735,000	145,900,000	247,800,000	-	218,400,000	191,000,000	208,655,000
Premium on Bonds Payable	-	-	-	-	-	-	-	-	521,641	-	1,514,364	-	-	286,348	924,432	-	4,626,878	5,342,482	4,588,141
Interest Rate Swap	-	-	1,187,517	-	-	1,197,048	2,430,378	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	-	1,450,000	35,787,517	34,050,000	25,550,000	3,072,048	3,730,378	209,245,000	305,921,641	-	407,814,364	-	48,735,000	146,186,348	248,724,432	-	223,026,878	196,342,482	213,243,141
Total Liabilities	\$ 215,279	\$ 1,492,516	\$ 35,975,343	\$ 34,143,145	\$ 25,605,418	\$ 3,134,705	\$ 3,827,949	\$ 210,567,294	\$ 331,099,591	\$ 173	\$ 455,653,463	\$ -	\$ 68,952,859	\$ 165,090,429	\$ 263,011,648	\$ -	\$ 237,055,679	\$ 203,261,869	\$ 218,128,893
NET POSITION																			
Restricted	14,602,611	4,250,287	18,629,348	(21,469,456)	(8,094,054)	6,863,626	1,834,513	9,926,092	36,273,707	(14,599,856)	116,355,582	(49,741,411)	7,001,433	46,696,880	18,227,997	(9,670,047)	21,140,229	9,654,982	3,293,799
Total Liabilities and Net Position	\$ 14,817,891	\$ 5,742,803	\$ 54,604,691	\$ 12,673,690	\$ 17,511,363	\$ 9,998,331	\$ 5,662,462	\$ 220,493,386	\$ 367,373,298	\$ (14,599,683)	\$ 572,009,046	\$ (49,741,411)	\$ 75,954,292	\$ 211,787,309	\$ 281,239,645	\$ (9,670,047)	\$ 258,196,507	\$ 212,916,851	\$ 221,422,692

*Bonds have been retired

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2014

	1998-2001*	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 FFELP	2010-2	2011-1	2010-2 Indenture Loan Reserve	2012-1	2013-1	2014-1
ASSETS																			
CURRENT ASSETS																			
Cash and Cash Equivalents	\$ 4,365,385	\$ 605,317	\$ 3,335,030	\$ 1,856,441	\$ 335,513	\$ 459,406	\$ 555,416	\$ 25,840,554	\$ 36,051,972	\$ -	\$ 63,691,980	\$ -	\$ 3,396,502	\$ 30,587,665	\$ 31,025,945	\$ -	\$ 27,473,756	\$ 81,582,742	\$ 230,064,520
Investments	-	-	-	-	5,542,028	-	364	-	-	1,264	-	-	575	-	-	1,430	-	-	-
NJCLASS Student Loans Receivable	2,476,956	349,345	3,199,203	601,980	500,866	254,395	106,536	7,280,013	8,909,770	-	17,103,353	-	-	7,345,968	7,077,337	-	-	4,492,901	1,753,359
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	5,464,958	-	-	-	-	-	-
NJCLASS Defaulted Principal and Interest in 2009 and 2010 LRFs, Net of Allowance of \$80,452,441	-	-	-	-	-	-	-	-	-	14,255,438	-	15,159,638	-	-	-	10,938,434	213,531	25,051	-
Due from External Loan Reverse Funds, Net of Allowance of \$32,622,158	2,369,470	762,570	3,194,524	1,296,041	1,564,305	966,377	738,542	3,844,275	-	-	-	-	-	-	-	-	-	-	-
Interest Receivable - Investments	446	53	316	194	83	44	78	3,014	4,903	-	7,175	-	452	3,413	3,661	-	3,244	10,106	5,311
Interest Receivable - NJCLASS Student Loans	138,130	57,249	347,264	98,102	185,949	84,019	36,541	2,282,291	3,884,882	-	3,963,872	-	-	1,779,371	2,895,851	-	2,144,522	1,542,420	-
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	-	1,017,238	-	-	-	-	-	-
Due from/To 2009 and 2010 Loan Reserve Funds	-	-	-	-	-	-	-	-	25,478,819	(25,478,819)	63,915,476	(63,915,476)	-	9,581,649	6,488,389	(16,070,038)	-	-	-
Default Collections Receivable	-	-	-	-	-	-	-	-	-	55,074	-	201,575	-	-	-	54,803	-	-	-
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	-	-	-	125,135	-	-	-	-	-	-
Prepaid Interest Rate-Cap Fees	-	-	29,869	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	9,350,387	1,774,534	10,106,206	3,852,758	8,128,744	1,764,241	1,437,477	39,250,147	74,330,346	(11,167,043)	148,681,856	(48,553,688)	10,004,285	49,298,066	47,491,183	(5,075,371)	34,327,954	84,913,678	230,069,831
NON-CURRENT ASSETS																			
NJCLASS Student Loans Receivable	4,877,217	3,648,531	42,251,369	8,377,020	13,114,601	6,873,443	2,754,498	217,405,445	332,490,831	-	471,214,556	-	-	186,975,068	259,895,255	-	243,016,096	128,320,811	-
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	78,671,296	-	-	-	-	-	-
Total Non-Current Assets	4,877,217	3,648,531	42,251,369	8,377,020	13,114,601	6,873,443	2,754,498	217,405,445	332,490,831	-	471,214,556	-	78,671,296	186,975,068	259,895,255	-	243,016,096	128,320,811	-
Total Assets	\$ 14,227,604	\$ 5,423,065	\$ 52,357,575	\$ 12,229,778	\$ 21,243,345	\$ 8,637,684	\$ 4,191,975	\$ 256,655,592	\$ 406,821,177	\$ (11,167,043)	\$ 619,896,412	\$ (48,553,688)	\$ 88,675,581	\$ 236,273,134	\$ 307,386,438	\$ (5,075,371)	\$ 277,344,050	\$ 213,234,489	\$ 230,069,831
Deferred Outflows of Resources																			
Deferred Outflow - Interest Rate Swap	-	-	1,740,936	-	-	1,506,978	3,418,389	-	-	-	-	-	-	-	-	-	-	-	-
Total Deferred Outflows of Resources	\$ -	\$ -	\$ 1,740,936	\$ -	\$ -	\$ 1,506,978	\$ 3,418,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES																			
CURRENT LIABILITIES																			
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,500,000	\$ 35,000,000	\$ -	\$ 48,000,000	\$ -	\$ 20,000,000	\$ 24,100,000	\$ 20,900,000	\$ -	\$ 15,000,000	\$ 3,000,000	\$ -
Accrued Interest Payable - Bonds	6,853	964	99,915	21,061	14,254	47,586	92,647	1,254,864	1,634,917	-	2,052,763	-	82,085	747,721	1,246,861	-	963,531	697,398	261,302
Fees Payable	80,385	8,242	38,795	13,991	11,658	5,899	7,048	105,553	146,007	173	254,607	-	169,027	107,166	93,289	-	72,197	97,120	-
Due to the Loan Reserve Fund	57,228	23,789	51,898	29,469	20,142	14,006	29,153	85,139	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	144,466	32,995	184,608	64,521	46,054	67,491	128,848	15,945,556	36,780,924	173	50,307,370	-	20,251,112	24,954,887	22,240,150	-	16,035,728	3,794,518	261,302
NON-CURRENT LIABILITIES																			
Bonds Payable	-	1,500,000	34,600,000	34,050,000	30,400,000	1,875,000	1,625,000	231,395,000	339,000,000	-	458,600,000	-	60,230,000	168,800,000	270,200,000	-	239,300,000	197,000,000	220,000,000
Premium on Bonds Payable	-	-	-	-	-	-	-	-	854,648	-	3,335,537	-	-	867,933	1,659,543	-	6,350,424	7,088,342	6,017,894
Interest Rate Swap	-	-	1,740,936	-	-	1,506,978	3,418,389	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	-	1,500,000	36,340,936	34,050,000	30,400,000	3,381,978	5,043,389	231,395,000	339,854,648	-	461,935,537	-	60,230,000	169,667,933	271,859,543	-	245,650,424	204,088,342	226,017,894
Total Liabilities	\$ 144,466	\$ 1,532,995	\$ 36,525,544	\$ 34,114,521	\$ 30,446,054	\$ 3,449,469	\$ 5,172,237	\$ 247,340,556	\$ 376,635,572	\$ 173	\$ 512,242,907	\$ -	\$ 80,481,112	\$ 194,622,820	\$ 294,099,693	\$ -	\$ 261,686,152	\$ 207,882,860	\$ 226,279,196
NET POSITION																			
Restricted	14,083,138	3,890,070	17,572,867	(21,884,743)	(9,202,709)	6,695,193	2,438,127	9,315,036	30,185,605	(11,167,216)	107,653,505	(48,553,688)	8,194,469	41,650,314	13,286,745	(5,075,371)	15,657,898	5,351,629	3,790,635
Total Liabilities and Net Position	\$ 14,227,604	\$ 5,423,065	\$ 54,098,511	\$ 12,229,778	\$ 21,243,345	\$ 10,144,662	\$ 7,610,364	\$ 256,655,592	\$ 406,821,177	\$ (11,167,043)	\$ 619,896,412	\$ (48,553,688)	\$ 88,675,581	\$ 236,273,134	\$ 307,386,438	\$ (5,075,371)	\$ 277,344,050	\$ 213,234,489	\$ 230,069,831

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board Members
New Jersey Higher Education Student Assistance Authority
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the NJCLASS/FFELP Loan Programs (the Programs) of the New Jersey Higher Education Student Assistance Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Programs' basic financial statements, and have issued our report thereon dated, October 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Programs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Programs' internal control.

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

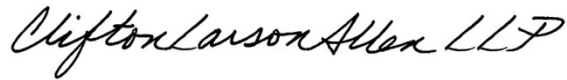
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Programs’ financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Mt. Laurel, New Jersey
October 19, 2015