

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018



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**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
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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, 2019 and 2018, 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 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, 2019 and 2018, 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.

Emphasis of Matter

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, 2019 and 2018, 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. Our opinion is not modified with respect to this matter.

Other Matters

Required 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 inquires 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, 2019 and 2018 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board Members
New Jersey Higher Education Student Assistance Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 18, 2019

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As financial management of the New Jersey Higher Education Student Assistance Authority's (the Authority) New Jersey College Loans to Assist State Students (NJCLASS) Loan Program, and the Federal Family Education Loan Program (FFELP) (collectively, the "Programs"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Programs for the fiscal year ended June 30, 2019. 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 serves 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 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 can serve as a useful indicator of whether the financial position of the Programs is improving or deteriorating. Net position increases when revenues exceed expenses, or increases to assets occur without corresponding increases to liabilities. Increases in net position indicate 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 at www.hesaa.org for more information about Authority programs and activities and management contact information.

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Financial Highlights and Analysis

The Programs' net position, referring to the difference between assets, deferred outflow of resources, and liabilities, increased by \$40,682,263 and \$9,705,852 from the prior fiscal years ended 2018 and 2017, respectively. The term "Net Position" is used in accordance with rules promulgated under GASB Statement No. 34, as amended.

As of June 30, 2019, 2018, and 2017, the assets and deferred outflows of the Programs exceeded liabilities by \$326,227,562, \$285,545,299, and \$275,839,447, 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 \$1,565,094,582, \$1,662,717,464, and \$1,767,509,347 at June 30, 2019, 2018, and 2017, respectively. This represents 2019 and 2018 decreases of \$97,622,881, \$104,791,883, 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 \$514,015,703, \$542,930,343, and \$639,019,785 at June 30, 2019, 2018, and 2017, 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 decrease in cash and investments for fiscal year 2019 was primarily due to redeeming more bonds than the prior year offset by higher 2019-1 Bond Issue proceeds in June of 2019 than the prior year. The decrease in cash and investments for fiscal year 2018 was primarily due to the receipt of lower 2018-1 Bond Issue proceeds in June of 2018 than the prior year while redeeming more bonds than the prior year. There was also an excess parity release of \$20 million in fiscal year 2018.

- Cash and investments balances were replenished from principal repayments and interest income from NJCLASS and FFELP borrowers, amounting to \$354,607,657, \$372,850,043, and \$402,096,791 during fiscal years 2019, 2018, and 2017, respectively. In addition, NJCLASS administration fee income was \$4,716,575, \$5,075,827, and \$5,229,219; and \$9,075,618, \$4,507,997, and \$1,675,307 in interest was earned on investments for 2019, 2018, and 2017, respectively.

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 2019 by \$166,015,000 due to retirements, which utilized a total of \$451,565,000 in cash, offset by the 2019-1 bond issuance and related capital contribution, which provided \$285,550,000 in cash.

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Changes in Liabilities – Bonds Payable (Continued)

Of the amount retired in fiscal year 2019:

- \$165,200,000 in retirements was due to scheduled bond maturities.
- \$122,000,000 was due to Special Optional Redemptions of portions of the fixed rate 2008, 2009, 2010-1, 2010-2, 2011-1, 2012-1, 2013-1, 2014-1, 2015-1 and 2016-1 Issues, as a result of better than forecasted cash flows on these issues.
- \$156,200,000 was through a refunding of all of the Authority's remaining bond issue at par, as part of the 2019-1 Bond Issue.
- \$5,740,000 was due to quarterly Excess Revenue Redemptions of the 2010-FFELP Bonds, in accordance with the terms of that Indenture.
- \$2,425,000 was through unexpended proceeds redemption of a portion of the 2014-1 Variable Rate Bonds, which had been issued to fund 2014-1 10 year variable rate loans.

The following is a summary of new bond issuance activity during the June 30, 2019, 2018, and 2017 fiscal years:

- The 2019-1 Bonds, with a par amount of \$114,685,000 in Senior Fixed Rate Bonds, \$143,865,000 in Senior Fixed Rate Refunding Bonds, and \$27,000,000 in Subordinate Bonds were issued in June 2019 under the 2019-1 Master Indenture. In addition, a net bond premium of \$11,025,754 and net cash of \$6,000,000 transferred from the retired 2009 Indenture resulted in total proceeds of \$302,577,175. Of this amount, \$296,866,175 was designated for the origination of NJCLASS, NJCLASS Refi+, and NJCLASS Consolidation loans for the 2019-2020 academic year and the acquisition of existing NJCLASS loans transferred from the 2009 Indenture. The remaining \$5,711,000 was allocated to required reserves. The Underwriter's Discount, amounting to \$2,208,047 and other closing costs, estimated to be \$428,000 were paid from other HESAA reserves.
- The 2018-1 Bonds, with a par amount of \$91,500,000 in Senior Fixed Rate Bonds, \$107,350,000 in Senior Fixed Rate Refunding Bonds, and \$17,000,000 in Subordinate Bonds were issued in June 2018 under the 2018-1 Master Indenture. In addition, a net bond premium of \$10,889,269, an equity contribution of \$1,200,000 from other HESAA reserves and net cash of \$7,500,000 transferred from the retired 2008 Indenture resulted in total proceeds of \$235,439,269. Of this amount, \$228,122,269 was designated for the origination of NJCLASS, NJCLASS Refi+, and NJCLASS Consolidation loans for the 2018-2019 academic year and the acquisition of existing NJCLASS loans transferred from the 1998 Indenture. The remaining \$7,317,000 was allocated to required reserves. The Underwriter's Discount, amounting to \$1,672,509 and other closing costs, estimated to be \$518,000, were paid from other HESAA reserves.

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Changes in Liabilities – Bonds Payable (Continued)

- The 2017-1 Bonds, with a par amount of \$141,100,000 in Senior Fixed Rate Bonds, \$86,900,000 in Senior Fixed Rate Refunding Bonds, and \$22,000,000 in Subordinate Bonds were issued in June 2017 under the 2010-1 Master Indenture. In addition, a net bond premium of \$12,844,536, an equity contribution of \$817,845 from other HESAA reserves and net cash of \$4,500,000 transferred from the retired 1998 Indenture resulted in total proceeds of \$268,162,381. Of this amount, \$251,162,381 was designated for the origination of NJCLASS, NJCLASS Refi+, and NJCLASS Consolidation loans for the 2017-2018 academic year and the acquisition of existing NJCLASS loans transferred from the 1998 Indenture. The remaining \$17,000,000 was allocated to required reserves. The Underwriter's Discount, amounting to \$1,926,500 and other closing costs, estimated to be \$523,000, were paid from other HESAA reserves.

The following table contains condensed comparative financial information derived from the June 30, 2019, 2018, and 2017 financial statements of the NJCLASS/FFELP Loan Programs:

NET POSITION	<u>2019</u>	<u>2018</u>	<u>Change from 2019 to 2018</u>	<u>2017</u>	<u>Change from 2018 to 2017</u>
Current Assets	\$ 670,555,490	\$ 697,687,694	\$ (27,132,204)	\$ 792,673,323	\$ (94,985,629)
Noncurrent Assets	1,495,709,287	1,593,401,557	(97,692,270)	1,698,280,371	(104,878,814)
Total Assets	<u>2,166,264,777</u>	<u>2,291,089,251</u>	<u>(124,824,474)</u>	<u>2,490,953,694</u>	<u>(199,864,443)</u>
Deferred Outflows of Resources	-	-	-	-	-
Current Liabilities	185,728,468	236,609,728	(50,881,260)	265,177,337	(28,567,609)
Noncurrent Liabilities	1,654,308,747	1,768,934,224	(114,625,477)	1,949,936,910	(181,002,686)
Total Liabilities	<u>1,840,037,215</u>	<u>2,005,543,952</u>	<u>(165,506,737)</u>	<u>2,215,114,247</u>	<u>(209,570,295)</u>
Net Position, Restricted	<u>326,227,562</u>	<u>285,545,299</u>	<u>40,682,263</u>	<u>275,839,447</u>	<u>9,705,852</u>
Total Liabilities and Net Position	<u>\$ 2,166,264,777</u>	<u>\$ 2,291,089,251</u>	<u>\$ (124,824,474)</u>	<u>\$ 2,490,953,694</u>	<u>\$ (199,864,443)</u>
CHANGES IN NET POSITION					
Operating Revenues	\$ 117,980,869	\$ 124,483,632	\$ (6,502,763)	\$ 140,566,957	\$ (16,083,325)
Operating Expenses	85,240,083	99,473,393	(14,233,310)	111,097,206	(11,623,813)
Operating Gain	<u>32,740,786</u>	<u>25,010,239</u>	<u>7,730,547</u>	<u>29,469,751</u>	<u>(4,459,512)</u>
Nonoperating Revenues (Expenses) and Other Changes:					
Income on Investments	9,075,618	4,507,997	4,567,621	1,675,307	2,832,690
Gain on Bond Retirements	-	-	-	72,062	(72,062)
Parity Release Distribution	(1,134,141)	(1,012,384)	(121,757)	(1,380,028)	367,644
Excess Parity Release Distribution	-	(20,000,000)	20,000,000	-	(20,000,000)
Equity Contribution for 2018-1 Bond Issue	-	-	-	-	-
Equity Contribution for 2017-1 Bond Issue	-	1,200,000	(1,200,000)	-	1,200,000
Equity Contribution for 2016-1 Bond Issue	-	-	-	817,845	(817,845)
Amortization of Prepaid Interest Rate Cap Fees	-	-	-	(29,951)	29,951
Net Nonoperating Revenues (Expenses)	<u>7,941,477</u>	<u>(15,304,387)</u>	<u>23,245,864</u>	<u>1,155,235</u>	<u>(16,459,622)</u>
CHANGE IN NET POSITION	<u>40,682,263</u>	<u>9,705,852</u>	<u>30,976,411</u>	<u>30,624,986</u>	<u>(20,919,134)</u>
Net Position – Beginning of Year	<u>285,545,299</u>	<u>275,839,447</u>	<u>9,705,852</u>	<u>245,214,461</u>	<u>30,624,986</u>
NET POSITION – END OF YEAR	<u>\$ 326,227,562</u>	<u>\$ 285,545,299</u>	<u>\$ 40,682,263</u>	<u>\$ 275,839,447</u>	<u>\$ 9,705,852</u>

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Explanation of Changes in Financial Performance

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

Operating Revenues

- Interest income on NJCLASS student loans decreased by \$6,045,746 or 5.2%, \$15,782,638 or 11.9%, and \$7,415,363 or 5.3% in 2019, 2018, and 2017, respectively. The 2019 decline was largely due to a decrease in NJCLASS loans outstanding of \$91,407,435 versus 2018 including loans being financed externally thus leaving the NJCLASS portfolio as well as loans being refinanced through NJCLASS as lower interest rates. Net disbursements during the 2019, 2018, and 2017 fiscal years were approximately \$154.1 million, \$160.8 million, and \$166.5 million, respectively.
- Beginning with Bonds issued under the 2012-1 Indenture, the payment of 1% of a 3% administrative fee on newly disbursed loans into a Loan Reserve Fund was discontinued and instead 2% of the administrative fee is deposited into the Student Loan account as overcollateralization for the Trust Estate. Due to lower loan disbursements in fiscal 2019 and 2018 administrative fee income was \$4.7 million and \$5.1 million, or an overall combined decrease of \$359,252 and \$153,392 from fiscal 2018 and 2017, respectively.
- Interest income on FFELP loans during the 2019, 2018, and 2017 fiscal years decreased by \$97,763, \$147,295, and \$273,197, respectively, due to the continuing reduction in FFELP portfolio assets. FFELP assets declined to \$38,914,655 at June 30, 2019 from \$45,057,918 at June 30, 2018 and \$53,204,882 at June 30, 2017.

Operating Expenses

- Bond interest expense for fiscal years 2019, 2018, and 2017 was \$71,882,108, \$83,066,306, and \$91,449,911, respectively. This represents decreases of \$11,184,199 or 13.5%, \$8,383,605 or 9.2%, and \$5,150,834 or 5.3% in 2019, 2018, and 2017, 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 2018-1 and 2017-1 Bonds.

Bad Debt Expense

- In fiscal year 2019, \$1,215,910 in bad debt expense was recognized, a decrease of \$2,538,019 from fiscal year 2018, during which \$3,753,929 in bad debt expense was recognized, and 2017 when bad debt expense was \$6,235,356. The slower growth in the number of defaulted loans over the five years is largely 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.**

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Non-operating Revenues (Expenses) and Other Changes

- There were no gains on bond retirements below par retirements of ARC Bonds in Fiscal 2019. In Fiscal 2017, \$72,062 in gains was recorded and FY 2016 recorded \$160,000 in gains. Bond retirement activity is described in “**Changes in Liabilities – Bonds Payable**” above. The smaller amount of gains on bond retirement in FY 2019 was partially due to the decision made by HESAA management to issue refunding bonds to replace all of the remaining 1998 Indenture Bonds, rather than continue to repurchase these bonds through Special Redemptions at discounted prices whenever offers were received from bondholders.
- Parity releases from the 2010-FFELP loan portfolio are made possible when the 2010-FFELP Bond Issue parity exceeds the release level of 110% as defined in its Indenture. The fiscal 2019 parity release distribution of \$1,134,141 represents an increase from the fiscal 2018 distribution of \$1,012,384 and while the fiscal 2018 parity release distribution was a decrease from the fiscal 2017 distribution of \$1,380,028. The 2019 increase was partially due to a decrease in expenses in the FFELP program allowing for a slight increase in distribution while the fiscal 2017 decreases in parity release was due to the gradually decreasing assets and associated collections in the 2010-FFELP Indenture. Parity release amounts are paid to HESAA and are being utilized to pay for the overcollateralization deposits to subsequent bond issues.
- Excess Parity releases from the non-FFELP loan portfolio are made possible when a bond issue's parity exceeds the release level required by that bond issue as defined in its respective indenture. In fiscal years 2019 or 2017, there was no excess parity release however in fiscal year 2018 there was collective proceeds of \$20 million distributed from the Series 2010-1, 2010-2 and 2012-1 Bond Issues.
- There were no swap termination fees in Fiscal 2019 or 2018. However in Fiscal 2017, there was \$661,383 in swap termination fees. Final terminations of all remaining HESAA swaps were executed during FY 2017 in conjunction with the issuance of \$86.9 million in 1998 Indenture refunding bonds as part of the 2017-1 Bond Issue. 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. Since 2010, HESAA has periodically 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.

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Significant Events

- At Fiscal year-end 2019, the Programs had \$1,798,030,000 in bonds outstanding, compared to \$1,964,045,000 in the prior fiscal year – a decrease of 8.5%. This is due to a total issuance during the year of \$285,550,000 in 2019-1 Bonds, which closed on June 12, 2019, offset by retirements of \$451,565,000. In the prior fiscal year, HESAA issued \$215,850,000 in 2018-1 Bonds, offset by retirements of \$426,080,000.
- During fiscal year 2019, the Authority experienced a decrease in NJCLASS student loan origination volume, with cash disbursements of \$154,099,588 for new loans, compared to \$160,778,090 during fiscal year 2018, a decrease of 4.2%. During fiscal year 2017, there was a decrease of 3.4% in NJCLASS origination volume from the prior year.

Cash Flows Summary

	2019	2018	2017
Net Cash Provided by Operating Activities	\$ 118,252,908	\$ 118,986,358	\$ 135,295,028
Net Cash Used by Financing Activities	(154,989,246)	(198,140,731)	(121,919,002)
Net Cash Provided (Used) by Investing Activities	(8,215,819)	(16,931,540)	123,853
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (44,952,157)</u>	<u>\$ (96,085,913)</u>	<u>\$ 13,499,879</u>

Current Conditions

In response to the continuing demand for NJCLASS loans, HESAA issued its Series 2019-1 Bonds on June 12, 2019 to fund anticipated NJCLASS loan volume for the 2019-20 academic year. During the previous year, HESAA issued its Series 2018-1 Bonds on May 31, 2018.

HESAA's current minimum credit score and income requirements, as well as its loan type funding availability has helped ensure that families can afford to repay the NJCLASS loans they obtain to cover the portion of the expected family contribution not funded from other sources. Since the 2012-13 academic year, the minimum credit score to obtain an NJCLASS loan has been 670 and the minimum income to obtain an NJCLASS Loan has been \$40,000. Under the current underwriting standards, new NJCLASS defaults have declined significantly (Total new defaults in fiscal 2019 were 27.0% lower than fiscal 2018 and 10.5% lower than fiscal 2017).

For specific statistical information regarding default experience during fiscal 2019 and 2018, refer to **NOTES TO FINANCIAL STATEMENTS – NOTE 3, STUDENT LOANS RECEIVABLE – Loan Defaults/Loan Reserve Fund.**

In response to consumer demand for loan products that meet the needs of a wider range of borrower profiles, the NJCLASS program currently offers borrower families fixed rated undergraduate loans with three repayment options (10-, 15-, or 20-year terms); and the NJCLASS loans Consolidation Loan (25- or 30-year terms). In 2016 the Authority initiated its NJCLASS pilot loan refinance program, Refit+, for borrowers who wish to refinance their outstanding NJCLASS loans, federal Parent PLUS loans and/or in 2019 added the ability for the borrower to add eligible private loans. Under the Refi+ program, three different loan rates are offered, based on borrower credit score at the time of application.

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HESAA also provides repayment assistance through temporary deferments and forbearance as well as two longer term payment programs, namely Repayment Assistance Program (RAP) and Household Income Affordable Repayment Program (HIARP),

- Repayment Assistance Program (RAP)

Commencing with new loans originated in the 2017-2018 academic year and thereafter, subject to available funds, eligible borrowers may utilize RAP. The program assists borrower families who suffer material loss of income during the life of their loans by offering a reduced monthly payment which is applied to 100% of the principal while HESAA pays the interest for up to two years.

- Household Income Affordable Repayment Plan (HIARP)

Subject to program availability, on a prospective basis, all Standard NJCLASS loans originated beginning in the 2018-2019 academic year will be eligible for HIARP. HIARP is a longer-term assistance program for those who have exhausted their RAP eligibility period. HIARP offers continued assistance to families by offering a lower monthly payment and extending the terms of their loan to 25 years. HESAA forgives any remaining balance after the 25 years.

For a complete description of HESAA loan product offerings and terms during the academic years 2018-19, 2017-18, and 2016-17, refer to **NOTES TO FINANCIAL STATEMENTS – NOTE 3, STUDENT LOANS RECEIVABLE.**

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 497,963,133	\$ 542,915,290
Investments	16,052,570	15,053
NJCLASS Student Loans Receivable, Net	65,467,887	66,799,055
FFELP Student Loans Receivable, Net	3,917,408	2,516,852
Interest Receivable:		
Investments	836,908	717,135
NJCLASS Student Loans	13,269,844	14,468,750
FFELP Student Loans	792,830	720,646
NJCLASS Defaulted Student Loan Principal and Interest in 2009 and 2010		
Indenture Loan Reserve Funds, Net of Allowance for Doubtful		
Accounts of \$119,409,043 in 2019 and \$115,539,497 in 2018	53,278,720	54,765,966
Due from the Loan Reserve Fund, Net of Allowance for Doubtful		
Accounts of \$25,494,091 in 2019 and \$28,147,727 in 2018	16,602,865	14,307,390
Due from NJCLASS Life of Loan	2,158,046	-
Default Collections Receivable	176,003	423,194
Due from Loan Servicing Agents	39,276	38,363
Total Current Assets	670,555,490	697,687,694
NONCURRENT ASSETS		
NJCLASS Student Loans Receivable, Less Current Portion	1,461,504,870	1,551,581,137
FFELP Student Loans Receivable, Less Current Portion	34,204,417	41,820,420
Total Noncurrent Assets	1,495,709,287	1,593,401,557
 Total Assets	\$ 2,166,264,777	\$ 2,291,089,251
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Bonds Payable	\$ 178,190,000	\$ 227,685,000
Accrued Interest Payable – Bonds	5,839,802	7,415,471
Fees Payable	1,423,124	1,291,663
Due to the Loan Reserve Fund	275,542	217,594
Total Current Liabilities	185,728,468	236,609,728
NONCURRENT LIABILITIES		
Bonds Payable, Less Current Portion	1,619,840,000	1,736,360,000
Premium on Bonds Payable, Net	34,468,747	32,574,224
Total Noncurrent Liabilities	1,654,308,747	1,768,934,224
 Total Liabilities	1,840,037,215	2,005,543,952
NET POSITION		
Restricted	326,227,562	285,545,299
 Total Liabilities and Net Position	\$ 2,166,264,777	\$ 2,291,089,251

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, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Interest Income:		
NJCLASS Student Loans	\$ 111,091,066	\$ 117,136,814
FFELP Student Loans	2,173,228	2,270,991
Administrative Fee Income	4,716,575	5,075,827
Total Operating Revenues	117,980,869	124,483,632
OPERATING EXPENSES		
Loan Servicing Fees:		
NJCLASS Student Loans	11,060,978	11,457,662
FFELP Student Loans	682,146	806,766
Total Loan Servicing Fees	11,743,124	12,264,428
Program Expenses:		
Annual Insurance Expense and Transaction Fees	357,326	388,476
Bad Debt Expense	1,215,909	3,753,930
RAP Debt Expense	41,619	253
Total Program Expenses	1,614,854	4,142,659
Bond Interest Expense	71,882,105	83,066,306
Total Operating Expenses	85,240,083	99,473,393
OPERATING INCOME, NET	32,740,786	25,010,239
NONOPERATING REVENUES (EXPENSES) AND OTHER CHANGES		
Income on Investments	9,075,618	4,507,997
Parity Release Distribution	(1,134,141)	(1,012,384)
Excess Parity Release Distribution	-	(20,000,000)
Equity Contribution for 2018-1 Bond Issue	-	1,200,000
Net Nonoperating Revenues (Expenses)	7,941,477	(15,304,387)
CHANGE IN NET POSITION	40,682,263	9,705,852
Net Position – Beginning of Year	285,545,299	275,839,447
NET POSITION – END OF YEAR	\$ 326,227,562	\$ 285,545,299

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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Receipts:		
NJCLASS Student Loans	\$ 98,649,047	\$ 101,959,484
FFELP Student Loans	1,724,891	1,790,632
Principal Receipts:		
NJCLASS Student Loans	247,440,998	258,217,170
FFELP Student Loans	6,792,721	8,882,757
Reimbursements from Loan Reserve Fund	525,527	3,959,471
Collections on Defaulted Loans	14,104,070	10,845,680
NJCLASS Student Loan Disbursements	(154,099,588)	(160,778,090)
FFELP Student Loan Purchases	(79,842)	(124,856)
Annual Insurance, Surveillance and Transaction Fees	(357,326)	(388,476)
Due from NJCLASS Life of Loan	(2,158,047)	-
RAP Expense	(41,619)	-
Loan Servicing Fees	(11,545,131)	(12,325,910)
Repayment of Government Interest Related to FFELP Loans	(113,785)	(141,897)
Interest Paid on Bonds	(82,589,008)	(92,909,607)
Net Cash Provided by Operating Activities	118,252,908	118,986,358
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Paid on Bonds	(451,565,000)	(426,080,000)
Bond Proceeds	285,550,000	215,850,000
Premium on Bonds Payable	11,025,754	10,889,269
Equity Contribution for 2018-1 Bond Issue	-	1,200,000
Net Cash Used by Financing Activities	(154,989,246)	(198,140,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases, Sales Proceeds, and Maturities, Net	(16,037,518)	(3,530)
Parity Release Distribution	(1,134,141)	(1,012,384)
Excess Parity Release Distribution	-	(20,000,000)
Interest on Investments	8,955,840	4,084,374
Net Cash Used by Investing Activities	(8,215,819)	(16,931,540)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,952,157)	(96,085,913)
Cash and Cash Equivalents – Beginning of Year	542,915,290	639,001,203
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 497,963,133	\$ 542,915,290

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, 2019 AND 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 32,740,786	\$ 25,010,239
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense	1,215,910	3,753,930
Effect of Net Change in Operating Assets and Liabilities:		
NJCLASS Student Loans Receivable	91,407,435	96,642,243
FFELP Student Loans Receivable	6,215,447	8,149,640
NJCLASS Defaulted Student Loans	(2,382,299)	(8,584,266)
Interest Receivable:		
NJCLASS Student Loans	1,198,906	2,156,858
FFELP Student Loans	(72,184)	(2,676)
Due from Loan Reserve Fund	358,161	2,316,292
Due from NJCLASS Life of Loan	(2,158,047)	-
Default Collections Receivable	247,193	(226,442)
Due from Loan Servicing Agents	(912)	108
Accrued Interest Payable – Bonds	(10,706,901)	(9,843,300)
Fees Payable	131,466	(153,907)
Due to Loan Reserve Fund	57,947	(232,361)
Net Cash Provided by Operating Activities	\$ 118,252,908	\$ 118,986,358
NONCASH FINANCING ACTIVITIES		
Amortization – Net Premium on Bonds Payable	\$ (9,131,233)	\$ (8,871,953)
Discount on Acquisition of Bonds	(41,619)	(253)
Total Noncash Financing Activities	\$ (9,172,852)	\$ (8,872,206)

See accompanying Notes to Financial Statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and 2018, 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, 2019 AND 2018

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 administrative fees for student loan originations as well as interest income earned on student loans. Operating expenses consist of loan service and transaction fees, bond interest, bad debt expense, and other expenses related to NJCLASS and FFELP loans. All other revenues and expenses are reported as nonoperating 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 at the time of purchase.

Investments

Investments are reflected at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In addition, the fair value of certain investments that do not have a readily determinable fair value is classified as NAV, meaning Net Asset Value per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. 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:

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

- (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 and rated accordingly by either Standard or 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 unearned revenues (liabilities), and bond discounts are reported as prepaid 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, 2019 AND 2018**

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 were recorded at fair value on the statement of net position as a liability with an offsetting deferred outflow of resources and were classified as Level 2 in the fair value hierarchy. Costs of issuance of financial instruments are expensed in the year incurred. All remaining financial instrument agreements were terminated during 2017.

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 an AAA-rated money market fund secured by U.S. government obligations which maintains a stable net asset value of one dollar per share valued at amortized cost.

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>2019</u>	<u>2018</u>
Lockbox Cash (Wells Fargo Bank)	\$ 4,575,404	\$ 7,118,366
Trust Accounts Invested in Wells Fargo		
Secured Institutional Money Market Fund	493,387,729	535,824,571
Total	<u>\$ 497,963,133</u>	<u>\$ 542,942,937</u>

The carrying amount in these accounts at June 30, 2019 and 2018 were \$497,409,767 and \$542,915,290, respectively.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 cash equivalents at June 30, 2019 and 2018 were \$37,705,856 and \$40,074,500, respectively.

Investments

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

- Investment policies are defined in **NOTES TO FINANCIAL STATEMENTS – NOTE 1, INVESTMENTS**.

Investments – Custodial Credit Risk

The amounts held in the New Jersey Cash Management Fund, a pooled cash management fund administered by New Jersey State's Treasury, at June 30, 2019 and 2018, were \$16,052,570 and \$15,053, respectively, which is measured at net asset value. The increase in these funds is due to transfer from the Trustee held accounts to the New Jersey Management Funds following retirement of the 1998, 2008, and 2009 bond issues.

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.

Investments – Interest Rate Risk

- NJCLASS/FFELP investment policies, as described in **NOTES TO FINANCIAL STATEMENTS – NOTE 1, 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.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Fair Value

- In accordance with State Investment Council Regulations, units of ownership in the NJCMF may be purchased or redeemed on any business day (excluding State holidays) at the unit cost or value of \$1.00. Investment income and net realized gains and losses on investments are distributed daily in the form of additional whole units at the current day's net asset value. Fractional units are included in the succeeding day's distribution.
- The NJCMF values participants' shares on a fair value basis. Specifically, the NJCMF distributes income to participants on a daily basis based on (1) realized investment gains and losses calculated at market (and added to the Reserve Fund for the pro-rata portion of such gains attributable to "Other-than-State" participants), (2) interest income based on stated rates, (3) amortization of discounts and premiums on a straight-line basis, and (4) administrative and reserve fund fees charged only to "Other-than-State" participants.

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, 2019 AND 2018

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 5.19% to 8.95%, and option 3 rates have ranged from 4.48% to 9.25%. All fixed rate NJCLASS loans for bond issues until the 2017-1 bond issue, with the exception of Consolidation loans, Medical/Dental loans, and the Refi+ loan which was introduced during the 2016-17 academic year, have a step up rate that is .75% higher than the initial rate. The step up rate was discontinued for the 2018-1 bond issue. For the applicable loans, the step up rate becomes effective in the 49th month in repayment, with the exception of option 3

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 outstanding balance of the loans to be consolidated. The interest rate is a blended rate derived from the rates on the underlying loans being consolidated. Loans consolidated between June 1, 2010 and May 31, 2016 have an additional 0.25% added to the blended rate. Loans consolidated after May 31, 2016 have 0.25% subtracted from the blended interest rate.

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 following the 2014-1 bond issue have been allocated to originate 10-year variable rate NJCLASS loans.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

Concurrent with the issuance of the 2016-1 Bonds, the Authority allocated a portion of the proceeds to fund 10-year fixed rate loans to refinance and consolidate existing NJCLASS and Federal Plus student loans of borrowers with current New Jersey nexus who are out of school, at more favorable rates. This student loan (known as the NJCLASS Refi+ loan) offers only option 1 repayment (immediate payment of principal and interest) following disbursement, and only limited deferment or forbearance options. The Refi+ loan has a tiered interest rate structure, with three rates, and no step up rate, based on credit score at time of application. For the 2018-19 academic year, the rates will be 4.9%, 5.7%, and 6.9%.

Concurrent with the issuance of the 2017-1 Bonds, the Authority established the Repayment Assistance Program (RAP), for newly originated loans beginning in the 2017-18 and 2018-19 academic years. RAP will allow borrowers (all income from all parties to the loan is evaluated as part of the qualification) to pay an amount equal to 10% of income over 150% of the federal poverty level based on household income of all parties, for up to two years. During the RAP period interest does not accrue on the loan, and the loan amortizes over the same period as the original term. The Trust will cover the interest portion of the payment during the two-year maximum period. Borrowers sign RAP documentation agreeing to make a reduced monthly payment on time each month. RAP is available on a first-come, first-served basis and is subject to available funds. All borrowers will see principal reductions during the RAP period as a minimum monthly payment is required.

Concurrent with the issuance of the 2018-1 Bonds, the Authority established the Household Income Affordable Repayment Plan (HIARP), for newly originated Standard NJCLASS loans beginning in the 2018-2019 academic year. NJCLASS Graduate/Professional Loans, Refinance Loans and Consolidation Loans are not eligible for HIARP. Through the HIARP program, monthly payments on eligible Standard NJCLASS loans shall be reduced to 15% of the aggregate household income of all of parties to the loan that exceeds 150% of the Federal poverty guideline for their family size, with a minimum monthly payment of \$25.00 (Reduced Payments). The repayment term for loans in the HIARP program will be extended to 25 years from the date of origination of such loan and any remaining balance at the end of 25 years will be forgiven. During the HIARP period interest will continue to accrue on the loan. Borrowers can only enter HIARP after exhausting their two years of RAP eligibility. HIARP is available on a first-come, first-served basis and is subject to available funds.

Concurrent with the issuance of the 2019-1 Bonds, the Authority added the ability for the borrower to refinance eligible private loans. Further, the Authority eliminated the origination of graduate 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 2018-19, 2017-18, and 2016-17 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, 2019 AND 2018**

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

NJCLASS Loan Rates, Fees, and Terms

2018 -2019 Academic Year

Loan Description	Initial Rate	Step-Up Rate	Administrative Fee	Loan Term in Years	Month in Repayment When Step-Up Rate Begins
Fixed Rate Option 1 & 2	5.60%	N/A	3%	15	N/A
Fixed Rate Option 3	7.20%	N/A	3%	20	N/A
Fixed Rate Option 1 - 10 Year	4.79%	N/A	3%	10	N/A
Graduate/Professional Fixed Rate - Option 1 & 2	5.60%	N/A	3%	25	N/A
Graduate/Professional Fixed Rate - Option 3	7.20%	N/A	3%	25	N/A
Refi + Loan (Rates based on Credit Score)	4.9%, 5.7% or 6.9%	N/A	0%	10	N/A
NJCLASS Consolidation	Weighted Average of Underlying Loans - 25 Basis Points	N/A	1.00%	25 or 30 Years	N/A

2017 -2018 Academic Year

Loan Description	Initial Rate	Step-Up Rate	Administrative Fee	Loan Term in Years	Month in Repayment When Step-Up Rate Begins
Fixed Rate Option 1 & 2	5.19%	5.94%	3%	15	49
Fixed Rate Option 3	7.15%	7.90%	3%	20	13
Fixed Rate Option 1 - 10 Year	4.48%	5.23%	3%	10	49
Graduate/Professional Fixed Rate - Option 1 & 2	5.19%	5.94%	3%	25	49
Graduate/Professional Fixed Rate - Option 3	7.15%	7.90%	3%	25	49
Refi + Loan (Rates based on Credit Score)	4.9%, 5.7% or 6.9%	N/A	0%	10	N/A
NJCLASS Consolidation	Weighted Average of Underlying Loans - 25 Basis Points	N/A	1.00%	25 or 30 Years	N/A

2016 -2017 Academic Year

Loan Description	Initial Rate	Step-Up Rate	Administrative Fee	Loan Term in Years	Month in Repayment When Step-Up Rate Begins
Fixed Rate Option 1 & 2	5.19%	5.94%	3%	15	49
Fixed Rate Option 3	7.15%	7.90%	3%	20	13
Fixed Rate Option 1 - 10 Year	4.48%	5.23%	3%	10	49
Variable Rate Option 1 - 10 Year *	4.92%	N/A	0%	10	N/A
Graduate/Professional Fixed Rate - Option 1 & 2	5.19%	5.94%	3%	25	49
Graduate/Professional Fixed Rate - Option 3	7.15%	7.90%	3%	25	49
Refi + Loan (Rates based on Credit Score)	4.9%, 5.7% or 6.9%	N/A	0%	10	N/A
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.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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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, 2019 and 2018, \$11,060,977 and \$11,457,662 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, 2019 and 2018, the fees included administrative expenses of \$93,692 and \$110,175, respectively, paid to the Authority and fees paid to servicing agents of \$213,989 and \$253,445, respectively. In addition, for the years ended June 30, 2019 and 2018, loan consolidation rebate fees of \$375,165 and \$433,795, 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 the 2010-1 and 2010-2 NJCLASS Bond Indentures, the Authority has established loan default reserve funds to stabilize the impact of loan defaults in the NJCLASS Loan Program. These are funded from a percentage of original loan principal specified by the appropriate master indenture, and not from bond proceeds.

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 from collections of 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, 2008 and 2009 Master Indentures, the funds are not part of the NJCLASS Loan Program Trust Estate. The 2009 Master Indenture was retired on June 12, 2019 with the issuance of the 2019 Bond Issue. The 1998 and 2008 reserve funds are not included in the accompanying financial statements. As there was activity in the 2009 Master Indenture in FY 2019 prior to the 2009 bonds being retired, the 2009 reserve fund is included in the accompanying financial statements. Also, for the 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 2019 and 2018, default claims paid by the external loan reserve funds established for the 1998 and 2008 Indentures totaled \$2,862,872 and \$4,153,471, respectively, and new claims for the same periods totaled \$2,975,900 and \$1,875,540, respectively. As of June 30, 2019 and 2018, the balances due from the external loan reserve funds to cover defaulted loans totaled \$42,096,956 and \$42,455,118, respectively.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

Loan Defaults/Loan Reserve Fund (Continued)

For the fiscal years 2019 and 2018, 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, totaled \$8,644,173 and \$10,186,150, respectively, and new defaulted loans for the same periods totaled \$9,513,741 and \$13,842,924, respectively. As of June 30, 2019 and 2018, the balances due from these loan reserve funds to cover defaulted loans within the 2009, 2010-1, and 2010-2 Indentures, as well as from loans originated under the 2012-1 Indenture, under which a loan reserve fund was not established, totaled \$172,687,761 and \$170,305,462, 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 Funds to be collectible. However, because the ability to pay claims from the Loan Reserve Funds is partially dependent on collections on defaulted loans, management continually evaluates the cash flows of each Loan Reserve Fund to determine its ability to reimburse the bond issues on a timely basis. During the fiscal years 2019 and 2018, 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 \$25,494,094 and \$28,147,727, respectively, against the June 30, 2019 and 2018 amounts due from the external Loan Reserve Funds. Allowances for doubtful accounts recorded against the June 30, 2019 and 2018 amounts due from the internal Loan Reserve Funds totaled \$119,409,043 and \$115,539,497, respectively.

In addition, when applicable under specific bond indentures, the Loan Reserve Funds received 1% of the loan amount disbursed from the administrative fee paid by the borrower, and 70% of collections on defaulted loans. As of June 30, 2019 and 2018, the balances due to the Loan Reserve Funds from default collections totaled \$275,541 and \$217,594 respectively.

Under the terms 2012-1 Indenture, which includes the 2012-1, 2013-1, 2014-1, 2015-1, and 2016-1 Bond Issues, no loan reserve fund was established.

NOTE 4 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
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NOTE 4 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:

Bonds Outstanding June 30, 2019

Student Loan Revenue Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2019	Maturity Dates	Bonds Outstanding (in thousands)			Bonds Outstanding (in thousands)		Amounts Due within One Year
			June 30, 2018	Additions	Reductions	June 30, 2019		
2002, Series A through D ⁽¹⁾	0.556% (ARCs)	6/1/2037	\$ -	\$ -	\$ -	\$ -	\$ -	
2003, Series A through D ⁽¹⁾	1.640%-1.900% (ARCs)	5/28/2038	-	-	-	-	-	
2004, Series A through D ⁽¹⁾	0.556%-1.700% (ARCs)	4/1/2039	-	-	-	-	-	
2005, Series A through D ⁽¹⁾	0.556%-1.900% (ARCs)	5/1/2040	-	-	-	-	-	
2006, Series A through D ⁽¹⁾	0.533%-0.562% (ARCs)	12/1/2040	-	-	-	-	-	
2007, Series A through D ⁽¹⁾	0.624%-0.680% (ARCs)	12/1/2041	-	-	-	-	-	
2008, Series A	6.125%	6/1/2030	-	-	-	-	-	
2009, Series A	4.500%-5.625%	6/1/2017-6/1/2030	199,800	-	199,800	-	-	
2010-1, Series A&B	3.75%-5.40%	12/1/2016-12/1/2037	239,800	-	64,200	175,600	34,700	
2010, Series FFELP ⁽²⁾	2.151%	6/1/2036	42,590	-	5,740	36,850	5,200	
2010-2	3.50%-5.00%	12/1/2016-12/1/2036	68,800	-	25,900	42,900	14,400	
2011-1	3.625%-5.875%	12/1/2016-12/1/2033	158,800	-	37,100	121,700	25,500	
2012-1	4.00%-5.75%	12/1/2016-12/1/2039	138,900	-	24,400	114,500	19,000	
2013-1	3.25%-5.00%	12/1/2016-12/1/2043	135,080	-	24,800	110,280	15,050	
2014-1 Series A-1 & B	3.00%-5.00%	12/1/2016-12/1/2044	152,100	-	24,900	127,200	18,100	
2014-1, Series A-2 ⁽³⁾	2.701%	12/1/2023	10,325	-	2,425	7,900	1,240	
2015-1	4.00%-5.00%	12/1/2016-12/1/2044	165,000	-	21,300	143,700	13,500	
2016-1	2.75%-5.00%	12/1/2017-12/1/2046	187,000	-	18,000	169,000	13,000	
2017-1	2.95%-5.00%	12/1/2019-12/1/2047	250,000	-	-	250,000	13,500	
2018-1	3.35%-5.00%	12/1/2020-12/1/2048	215,850	-	3,000	212,850	5,000	
2019-1	2.375%-5.00%	12/1/2020/-12/1/2049	-	285,550	-	285,550	-	
Totals			<u>\$ 1,964,045</u>	<u>\$ 285,550</u>	<u>\$ 451,565</u>	<u>\$ 1,798,030</u>	<u>\$ 178,190</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 carried floating interest rates. After a uniform initial rate and varying durations by series were set at the issue date, rates were reset every 35 days at a separate auction for each series. The interest rate ranges stated in the table for the 2002 through 2007 Bond Issues are as of May 31, 2017.
- (2) The 2010-FFELP Bonds are Tax Exempt LIBOR Floating Rate Bonds, originally consisting of Class A-1 & Class A-2 Bonds. The Class A-1 Bonds were fully retired at June 30, 2014. 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.

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NOTE 4 BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bonds Outstanding June 30, 2018

Student Loan Revenue Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2018	Maturity Dates	Bonds Outstanding (in thousands) June 30, 2017	Additions	Reductions	Bonds Outstanding (in thousands) June 30, 2018	Amounts Due within One Year
2002, Series A through D ⁽¹⁾	0.556% (ARCs)	6/1/2037	\$ -	\$ -	\$ -	\$ -	\$ -
2003, Series A through D ⁽¹⁾	1.640%-1.900% (ARCs)	5/28/2038	-	-	-	-	-
2004, Series A through D ⁽¹⁾	0.556%-1.700% (ARCs)	4/1/2039	-	-	-	-	-
2005, Series A through D ⁽¹⁾	0.556%-1.900% (ARCs)	5/1/2040	-	-	-	-	-
2006, Series A through D ⁽¹⁾	0.533%-0.562% (ARCs)	12/1/2040	-	-	-	-	-
2007, Series A through D ⁽¹⁾	0.624%-0.680% (ARCs)	12/1/2041	-	-	-	-	-
2008, Series A	6.125%	6/1/2030	148,845	-	148,845	-	-
2009, Series A	4.500%-5.625%	6/1/2017-6/1/2030	245,800	-	46,000	199,800	37,000
2010-1, Series A&B	3.75%-5.40%	12/1/2016-12/1/2037	307,400	-	67,600	239,800	53,000
2010, Series FFELP ⁽²⁾	2.151%	6/1/2036	49,685	-	7,095	42,590	7,500
2010-2	3.50%-5.00%	12/1/2016-12/1/2036	101,400	-	32,600	68,800	21,500
2011-1	3.625%-5.875%	12/1/2016-12/1/2033	193,000	-	34,200	158,800	32,000
2012-1	4.00%-5.75%	12/1/2016-12/1/2039	171,600	-	32,700	138,900	19,500
2013-1	3.25%-5.00%	12/1/2016-12/1/2043	154,100	-	19,020	135,080	16,200
2014-1 Series A-1 & B	3.00%-5.00%	12/1/2016-12/1/2044	169,400	-	17,300	152,100	17,300
2014-1, Series A-2 ⁽³⁾	2.701%	12/1/2023	16,045	-	5,720	10,325	1,185
2015-1	4.00%-5.00%	12/1/2016-12/1/2044	177,000	-	12,000	165,000	12,500
2016-1	2.75%-5.00%	12/1/2017-12/1/2046	190,000	-	3,000	187,000	7,000
2017-1	2.95%-5.00%	12/1/2019-12/1/2047	250,000	-	-	250,000	-
2018-1	3.35%-5.00%	12/1/2020-12/1/2048	-	215,850	-	215,850	3,000
Totals			<u>\$ 2,174,275</u>	<u>\$ 215,850</u>	<u>\$ 426,080</u>	<u>\$ 1,964,045</u>	<u>\$ 227,685</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 carried floating interest rates. After a uniform initial rate and varying durations by series were set at the issue date, rates were reset every 35 days at a separate auction for each series. The interest rate ranges stated in the table for the 2002 through 2007 Bond Issues are as of May 31, 2017.
- (2) The 2010-FFELP Bonds are Tax Exempt LIBOR Floating Rate Bonds, originally consisting of Class A-1 & Class A-2 Bonds. The Class A-1 Bonds were fully retired at June 30, 2014. 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.

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NOTE 4 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, 2019.

Extraordinary Redemptions

Provisions governing the extraordinary redemption of bonds prior to maturity were included in the redemption provisions sections of the indentures for all bonds issued during the years 1991 through 2019. Where applicable, these early redemptions were 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 were redeemable at par.

The 2008, 2009, 2010-1, 2010-2, 2011-1, 2012-1, 2013-1, 2014-1, 2015-1, 2016-1, 2017-1, 2018-1, and 2019-1 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 2019 fiscal year, a total of \$124,425,000 of bonds within these respective issues were redeemed under this provision and are included in the Cumulative Schedule of Bond Redemptions at June 30, 2019.

Optional Redemptions

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

The following chart outlines the optional redemption provisions for the 2008 through 2018-1 bonds. Bonds maturing prior to these dates are not subject to optional redemption prior to maturity.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTE 4 BONDS PAYABLE (CONTINUED)

Optional Redemptions (Continued)

<u>Bond</u>	<u>Maturity</u>	<u>Subject to Optional Redemption</u>	<u>First Eligible Call Date</u>
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
2016-1	Prior to 12/1/26	No	
2016-1	On or After 12/1/26	Yes at Par Plus Accrued Interest	December 1, 2025
2017-1	Prior to 12/1/27	No	
2017-1	On or After 12/1/27	Yes at Par Plus Accrued Interest	December 1, 2026
2018-1	Prior to 12/1/28	No	
2018-1	On or After 12/1/28	Yes at Par Plus Accrued Interest	December 1, 2027
2019-1	Prior to 12/1/29	No	
2019-1	On or After 12/1/29	Yes at Par Plus Accrued Interest	December 1, 2028

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.

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.

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NOTE 4 BONDS PAYABLE (CONTINUED)

Cumulative Redemptions (Continued)

Cumulative Schedule of Bond Redemptions at June 30, 2019

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, 2019
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	-	-	-	-	-	(62,250,000)	-	(103,550,000)	(200,000)	-
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	-	-	-	-	-	(23,750,000)	-	(184,850,000)	(16,400,000)	-
2006	225,000,000	-	-	-	-	-	(30,800,000)	-	(192,725,000)	(1,475,000)	-
2007	275,000,000	-	-	-	-	-	(19,125,000)	-	(255,700,000)	(175,000)	-
2008	350,000,000	-	-	-	(19,405,000)	-	-	(212,150,000)	-	(118,445,000)	-
2009	450,000,000	-	(150,000,000)	-	-	-	-	(143,800,000)	-	(156,200,000)	-
2010-1	713,000,000	-	(277,930,000)	-	-	-	-	(259,470,000)	-	-	175,600,000
2010-FFELP	145,000,000	-	-	(108,150,000)	-	-	-	-	-	-	36,850,000
2010-2	280,000,000	-	(119,500,000)	-	-	-	-	(117,600,000)	-	-	42,900,000
2011-1	326,500,000	-	(106,400,000)	-	-	-	-	(98,400,000)	-	-	121,700,000
2012-1	259,300,000	-	(72,500,000)	-	-	-	-	(72,300,000)	-	-	114,500,000
2013-1	200,000,000	-	(39,500,000)	-	-	-	-	(50,220,000)	-	-	110,280,000
2014-1	220,000,000	-	(28,500,000)	-	(8,955,000)	-	-	(47,445,000)	-	-	135,100,000
2015-1	180,000,000	-	(16,000,000)	-	-	-	-	(20,300,000)	-	-	143,700,000
2016-1	190,000,000	-	(8,000,000)	-	-	-	-	(13,000,000)	-	-	169,000,000
2017-1	250,000,000	-	-	-	-	-	-	-	-	-	250,000,000
2018-1	215,850,000	-	(3,000,000)	-	-	-	-	-	-	-	212,850,000
2019-1	285,550,000	-	-	-	-	-	-	-	-	-	285,550,000
Totals	\$ 5,920,196,064	\$ 3,562,871	\$ (890,795,000)	\$ (312,108,935)	\$ (30,960,000)	\$ (55,670,000)	\$ (266,040,000)	\$ (1,034,685,000)	\$ (1,149,925,000)	\$ (385,545,000)	\$ 1,798,030,000

(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, 2019 AND 2018**

NOTE 4 BONDS PAYABLE (CONTINUED)

Cumulative Redemptions (Continued)

Cumulative Schedule of Bond Redemptions at June 30, 2018

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, 2018
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	-	-	-	-	-	(62,250,000)	-	(103,550,000)	(200,000)	-
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	-	-	-	-	-	(23,750,000)	-	(184,850,000)	(16,400,000)	-
2006	225,000,000	-	-	-	-	-	(30,800,000)	-	(192,725,000)	(1,475,000)	-
2007	275,000,000	-	-	-	-	-	(19,125,000)	-	(255,700,000)	(175,000)	-
2008	350,000,000	-	-	-	(19,405,000)	-	-	(212,150,000)	-	(118,445,000)	-
2009	450,000,000	-	(120,000,000)	-	-	-	-	(130,200,000)	-	-	199,800,000
2010-1	713,000,000	-	(237,730,000)	-	-	-	-	(235,470,000)	-	-	239,800,000
2010-FFELP	145,000,000	-	-	(102,410,000)	-	-	-	-	-	-	42,590,000
2010-2	280,000,000	-	(101,400,000)	-	-	-	-	(109,800,000)	-	-	68,800,000
2011-1	326,500,000	-	(84,000,000)	-	-	-	-	(83,700,000)	-	-	158,800,000
2012-1	259,300,000	-	(54,500,000)	-	-	-	-	(65,900,000)	-	-	138,900,000
2013-1	200,000,000	-	(27,500,000)	-	-	-	-	(37,420,000)	-	-	135,080,000
2014-1	220,000,000	-	(19,000,000)	-	(8,955,000)	-	-	(29,620,000)	-	-	162,425,000
2015-1	180,000,000	-	(9,000,000)	-	-	-	-	(6,000,000)	-	-	165,000,000
2016-1	190,000,000	-	(3,000,000)	-	-	-	-	-	-	-	187,000,000
2017-1	250,000,000	-	-	-	-	-	-	-	-	-	250,000,000
2018-1	215,850,000	-	-	-	-	-	-	-	-	-	215,850,000
Totals	\$ 5,634,646,064	\$ 3,562,871	\$ (725,595,000)	\$ (306,368,935)	\$ (30,960,000)	\$ (55,670,000)	\$ (266,040,000)	\$ (910,260,000)	\$ (1,149,925,000)	\$ (229,345,000)	\$ 1,964,045,000

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

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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JUNE 30, 2019 AND 2018

NOTE 4 BONDS PAYABLE (CONTINUED)

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>
2020	\$ 178,190,000	\$ 71,056,204	\$ 249,246,204
2021	135,740,000	64,733,678	200,473,678
2022	128,255,000	58,518,980	186,773,980
2023	113,120,000	52,813,466	165,933,466
2024	101,760,000	47,992,905	149,752,905
2025-2029	495,145,000	174,415,834	669,560,834
2030-2034	382,110,000	79,169,306	461,279,306
2035-2039	46,710,000	36,185,896	82,895,896
2040-2044	118,000,000	25,328,125	143,328,125
2045-2050	99,000,000	12,924,479	111,924,479
Total	<u>\$ 1,798,030,000</u>	<u>\$ 623,138,871</u>	<u>\$ 2,421,168,871</u>

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, 2015-1, 2016-1, 2017-1, 2018-1, and 2019-1 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 are as follows:

	<u>2019</u>	<u>2018</u>
Bond Premium	\$ 120,303,015	\$ 107,872,136
Accumulated Amortization	(77,118,048)	(66,980,286)
Total Unamortized Bond Premium	<u>\$ 43,184,967</u>	<u>\$ 40,891,850</u>
Annual Amortization Revenue	<u>\$ 10,137,763</u>	<u>\$ 9,718,623</u>
Bond Discount	\$ 15,171,337	\$ 13,766,211
Accumulated Amortization	(6,455,117)	(5,448,585)
Total Unamortized Bond Discount	<u>\$ 8,716,220</u>	<u>\$ 8,317,626</u>
Annual Amortization Expense	<u>\$ 1,006,530</u>	<u>\$ 846,671</u>
Net Unamortized Bond Premium	<u>\$ 34,468,747</u>	<u>\$ 32,574,224</u>
Net Amortization Revenue	<u>\$ 9,131,233</u>	<u>\$ 8,871,952</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTE 5 ARBITRAGE REBATES AND ACQUIRED PURPOSE INVESTMENT LIABILITY

Arbitrage Rebates

Pursuant to current federal income tax law and in accordance with the bond indentures, certain income earned on nonpurpose 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 nonpurpose 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 2019 and 2018 fiscal years.

Acquired Purpose Investment Liability

As required by the trust indenture, HESAA has calculated an "acquired purpose investment" (API) liability that results from the loan yields exceeding the bond yields by more than 2.0% for certain of its bond portfolios, namely those bond portfolios issued in years 2012-2017. HESAA has covenanted with bondholders to reduce or forgive the principal of and the interest on student loans in order to reduce the loan yield on such loans to meet the 2.0% limitation. To that end, HESAA has in place and is implementing a formal loan yield reduction policy, which includes, among other things, principal and/or interest forgiveness on loans. As a result of the implementation of this yield reduction policy, no liability is expected to ultimately be paid by HESAA. While the loss contingency can be reasonably estimated, it is not probable of payment as the Agency's loan yield reduction policy is expected to reduce the API amounts over the next several years. While the trust indenture requires that the API liability be calculated, it does not require any payment of this liability until the tenth year after the bond has been issued. Thus, no accrual contingency is necessary.

The acquired purpose investment liability calculated as of June 30, 2019 by bond portfolio year is as follows:

<u>Bond Issue</u>	<u>June 30, 2019 API Liability</u>
2012-1	\$ 10,701,120
2013-1	\$ 11,549,981
2014-1	\$ 9,061,211
2015-1	\$ 588,468
2016-1	\$ 2,750,973
2017-1	\$ 936,465

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
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JUNE 30, 2019 AND 2018

NOTE 6 CONCENTRATION OF CREDIT RISK

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 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 7 SUBSEQUENT EVENTS

On July 10, 2019, HESAA retired \$34,190,000 of its 2011-1, 2013-1, 2014-1, 2015-1 2016-1 and 2017-1 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.

NOTE 8 RECENT ACCOUNTING STANDARDS

The following recently issued accounting standards could have an impact on the financial statements of the Authority in future years:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Criteria for identifying fiduciary activities are generally defined as (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also defines four fiduciary funds that should be reported. The Authority has not yet completed the process of evaluating the impact of GASB Statement No. 84 on its financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 RECENT ACCOUNTING STANDARDS (CONTINUED)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The Authority has not yet completed the process of evaluating the impact of GASB Statement No. 90 on its financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2020. Statement No. 91 is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in accounting and financial reporting. The Authority has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

Authority management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the Authority's financial statements.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2019**

	Retired 1998 Indenture*	Retired 2008	Retired 2009 Series A	2009 Indenture Loan Reserve	2010-1 Series A&B	2010-1 Loan Reserve	2010 FFELP	2010-2	2011-1	2010-2 Indenture Loan Reserve	2012-1	2013-1	2014-1	2015-1	2016-1	2018-1	2019-1	Total	
ASSETS																			
CURRENT ASSETS																			
Cash and Cash Equivalents	\$ 398,061	\$ 126,982	\$ 306,385	\$ -	\$ 54,875,576	\$ 40,584,561	\$ -	\$ 1,463,166	\$ 20,399,847	\$ 33,316,369	\$ -	\$ 35,160,789	\$ 27,968,067	\$ 30,172,072	\$ 21,041,841	\$ 25,143,257	\$ 45,480,338	\$ 161,725,822	\$ 497,963,133
Investments	7,696,219	1,842,133	5,506,176	330,234	-	-	436,549	-	-	241,259	-	-	-	-	-	-	-	16,052,570	
NJCLASS Student Loans Receivable	304,361	23,134	109,370	-	10,621,038	5,806,037	-	3,201,154	5,709,120	-	5,705,066	3,936,775	4,608,424	5,782,741	5,175,579	6,944,331	7,540,757	65,467,887	
FFELP Student Loans Receivable	-	-	-	-	-	-	3,917,408	-	-	-	-	-	-	-	-	-	-	3,917,408	
NJCLASS Defaulted Student Loan Principal & Interest in 2009 & 2010 Indenture Loan Reserve Funds, Net of Allowance for Doubtful Accounts of \$119,409,043	(1,783,354)	(1,012,405)	-	17,553,665	-	-	16,754,689	-	-	14,792,018	2,280,722	1,888,121	1,139,031	770,949	433,639	461,681	(36)	53,278,720	
Due from External 1998 and 2008 Loan Reserve	10,723,655	5,879,210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,602,865	
Interest Receivable - Investments	-	-	73,747	-	93,807	71,340	-	2,376	34,798	57,286	60,839	48,106	51,837	35,914	43,659	82,617	180,582	836,908	
Interest Receivable - NJCLASS Student Loans	10,995	1,008	132,877	-	1,687,264	1,818,472	-	679,066	952,249	-	694,924	718,982	916,158	937,182	1,160,899	2,105,285	1,454,483	13,269,844	
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	792,830	-	-	-	-	-	-	-	-	-	-	792,830	
Due from Other Bond Issue Funds	2,158,047	-	(225,082)	-	(224,314)	13,328	-	54,428	92,031	-	25,641	29,360	69,057	31,578	18,411	10,208	105,353	2,158,046	
Due from/to 2009 and 2010 Loan Reserve Funds	-	-	37,906,567	(37,906,567)	66,597,136	1,659,830	(68,256,966)	14,727,961	17,117,518	(31,845,479)	-	-	-	-	-	-	-	-	
Default Collections Receivable	-	-	-	62,189	-	-	92,092	-	-	21,722	-	-	-	-	-	-	-	176,003	
Due from Loan Servicing Agents	-	-	-	-	-	-	39,276	-	-	-	-	-	-	-	-	-	-	39,276	
Total Current Assets	19,507,984	6,860,062	43,810,040	(19,960,479)	133,450,507	49,953,568	(50,973,636)	6,215,056	39,097,254	57,244,573	(16,790,480)	43,927,981	34,589,411	36,956,579	28,600,205	31,975,444	55,084,460	171,006,961	670,555,490
NONCURRENT ASSETS																			
NJCLASS Student Loans Receivable	2,280,653	(2,097)	1,370,117	-	178,377,767	222,100,497	-	59,743,175	94,766,336	-	98,754,430	96,575,113	117,995,747	125,011,674	150,877,357	181,564,013	132,090,088	1,461,504,870	
FFELP Student Loans Receivable	-	-	-	-	-	-	34,204,417	-	-	-	-	-	-	-	-	-	-	34,204,417	
Total Noncurrent Assets	2,280,653	(2,097)	1,370,117	-	178,377,767	222,100,497	34,204,417	59,743,175	94,766,336	-	98,754,430	96,575,113	117,995,747	125,011,674	150,877,357	181,564,013	132,090,088	1,495,709,287	
Total Assets	\$ 21,788,637	\$ 6,857,965	\$ 45,180,157	\$ (19,960,479)	\$ 311,828,274	\$ 272,054,065	\$ (50,973,636)	\$ 40,419,473	\$ 98,840,429	\$ 152,010,909	\$ (16,790,480)	\$ 142,682,411	\$ 131,164,524	\$ 154,952,326	\$ 153,611,879	\$ 182,852,801	\$ 236,648,473	\$ 303,097,049	\$ 2,166,264,777
LIABILITIES																			
CURRENT LIABILITIES																			
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ 34,700,000	\$ 13,500,000	\$ -	\$ 5,200,000	\$ 14,400,000	\$ 25,500,000	\$ -	\$ 19,000,000	\$ 15,050,000	\$ 19,340,000	\$ 13,500,000	\$ 13,000,000	\$ 5,000,000	\$ -	\$ 178,190,000
Accrued Interest Payable - Bonds	-	-	-	-	660,910	862,709	-	107,139	144,626	508,397	-	425,108	370,801	434,856	495,351	533,180	770,924	525,801	5,839,802
Fees Payable	217,068	24,973	65,503	-	182,054	86,460	-	114,916	69,174	63,832	-	54,899	85,555	76,534	83,146	83,929	105,014	110,067	1,423,124
Due to the Loan Reserve Fund	175,634	99,908	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	276,542
Total Current Liabilities	392,702	124,881	65,503	-	35,542,964	14,449,169	-	5,422,055	14,613,800	26,072,229	-	19,480,007	15,506,356	19,851,390	14,078,497	13,617,109	5,675,938	635,866	185,728,468
NONCURRENT LIABILITIES																			
Bonds Payable	-	-	-	-	140,900,000	236,500,000	-	31,650,000	28,500,000	96,200,000	-	95,500,000	95,230,000	115,760,000	130,200,000	156,000,000	207,850,000	285,550,000	1,619,840,000
Premium on Bonds Payable	-	-	-	-	(542,371)	8,337,195	-	(256,675)	(294,625)	-	559,269	386,994	520,012	1,792,923	4,407,880	8,648,770	10,909,375	34,468,747	
Total Noncurrent Liabilities	-	-	-	-	140,357,629	244,837,195	-	31,650,000	28,243,325	95,905,375	-	96,059,269	95,616,994	116,280,012	131,992,923	160,407,880	216,498,770	296,459,375	1,654,308,747
Total Liabilities	392,702	124,881	65,503	-	175,900,593	259,286,364	-	37,072,055	42,857,125	121,977,604	-	115,539,276	111,123,350	136,131,402	146,071,420	174,024,989	222,374,708	297,095,243	1,840,037,215
NET POSITION																			
Restricted	21,395,935	6,733,084	45,114,654	(19,960,479)	135,927,681	12,767,701	(50,973,636)	3,347,418	55,983,304	30,033,305	(16,790,480)	27,143,135	20,041,174	18,820,924	7,540,459	8,827,812	14,273,765	6,001,806	326,227,562
Total Liabilities and Net Position	\$ 21,788,637	\$ 6,857,965	\$ 45,180,157	\$ (19,960,479)	\$ 311,828,274	\$ 272,054,065	\$ (50,973,636)	\$ 40,419,473	\$ 98,840,429	\$ 152,010,909	\$ (16,790,480)	\$ 142,682,411	\$ 131,164,524	\$ 154,952,326	\$ 153,611,879	\$ 182,852,801	\$ 236,648,473	\$ 303,097,049	\$ 2,166,264,777

*Bonds have been retired

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	Retired 1998 Indenture*	2008	2009 Series A	2009 Indenture Loan Reserve	2010-1 Series A&B	2017-1	2010-1 Indenture Loan Reserve	2010 FFELP	2010-2	2011-1	2010-2 Indenture Loan Reserve	2012-1	2013-1	2014-1	2015-1	2016-1	2018-1	Total
ASSETS																		
CURRENT ASSETS																		
Cash and Cash Equivalents	\$ 7,252,594	\$ 724,619	\$ 35,395,368	\$ -	\$ 66,990,959	\$ 98,462,613	\$ -	\$ 2,057,541	\$ 25,936,676	\$ 41,152,259	\$ -	\$ 29,370,203	\$ 27,554,853	\$ 30,103,535	\$ 22,695,476	\$ 24,708,788	\$ 130,509,806	\$ 542,915,290
Investments	-	-	-	2,091	-	-	7,634	-	-	-	5,328	-	-	-	-	-	-	15,063
NJCLASS Student Loans Receivable	597,840	34,348	8,218,320	-	12,290,156	9,595,057	-	-	3,838,146	6,603,695	-	6,432,898	4,310,505	4,670,142	5,502,873	4,705,075	-	66,799,055
FFELP Student Loans Receivable	-	-	-	-	-	-	-	2,516,852	-	-	-	-	-	-	-	-	-	2,516,852
NJCLASS Defaulted Student Loan Principal & Interest in 2009 & 2010 Indenture Loan Reserve Funds, Net of Allowance for Doubtful Accounts of \$110,096,015	-	-	-	17,435,512	-	-	17,748,662	-	-	-	14,502,545	2,137,744	1,585,899	778,775	449,574	127,255	-	54,765,966
Due from External 1998 and 2008 Loan Reserve	9,329,766	4,977,624	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,307,390
Interest Receivable - Investments	8,960	670	44,880	-	86,986	136,902	-	2,328	34,003	54,144	-	37,570	35,575	38,871	29,003	32,118	175,125	717,135
Interest Receivable - NJCLASS Student Loans	31,357	1,765	1,959,301	-	2,084,421	1,691,232	-	-	826,912	1,198,133	-	931,878	837,074	1,080,962	1,188,139	1,438,895	1,198,681	14,468,750
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	720,646	-	-	-	-	-	-	-	-	-	720,646
Due from Other Bond Issue Funds	-	-	6,880	-	56,999	(284,814)	-	-	55,437	-	-	6,871	10,192	81,605	47,427	8,544	9,059	-
Due from/to 2009 and 2010 Loan Reserve Funds	-	-	37,480,998	(37,480,998)	67,806,417	987,757	(68,794,174)	-	14,602,055	16,309,654	(30,911,709)	-	-	-	-	-	-	-
Default Collections Receivable	-	-	-	111,551	-	-	194,064	-	-	-	117,579	-	-	-	-	-	-	423,194
Due from Loan Servicing Agents	-	-	-	-	-	-	-	38,363	-	-	-	-	-	-	-	-	-	38,363
Total Current Assets	17,220,517	5,739,026	83,107,547	(19,931,844)	149,315,938	110,588,747	(50,843,814)	5,335,730	45,293,229	65,317,885	(16,286,257)	38,917,164	34,334,098	36,753,890	29,912,492	31,020,675	131,892,671	697,687,694
NONCURRENT ASSETS																		
NJCLASS Student Loans Receivable	2,748,279	(11,960)	165,584,934	-	222,077,278	157,834,424	-	-	76,462,752	121,758,056	-	126,210,642	119,391,828	142,773,161	144,283,238	168,051,522	104,416,983	1,551,581,137
FFELP Student Loans Receivable	-	-	-	-	-	-	-	41,820,420	-	-	-	-	-	-	-	-	-	41,820,420
Total Noncurrent Assets	2,748,279	(11,960)	165,584,934	-	222,077,278	157,834,424	-	41,820,420	76,462,752	121,758,056	-	126,210,642	119,391,828	142,773,161	144,283,238	168,051,522	104,416,983	1,593,401,557
Total Assets	\$ 19,968,796	\$ 5,727,066	\$ 248,692,481	\$ (19,931,844)	\$ 371,393,216	\$ 268,423,171	\$ (50,843,814)	\$ 47,156,150	\$ 121,755,981	\$ 187,075,941	\$ (16,286,257)	\$ 165,127,806	\$ 153,725,926	\$ 179,527,051	\$ 174,195,730	\$ 199,072,197	\$ 236,309,654	\$ 2,291,089,251
LIABILITIES																		
CURRENT LIABILITIES																		
Bonds Payable	\$ -	\$ -	\$ 37,000,000	\$ -	\$ 53,000,000	\$ -	\$ -	\$ 7,500,000	\$ 21,500,000	\$ 32,000,000	\$ -	\$ 19,500,000	\$ 16,200,000	\$ 18,485,000	\$ 12,500,000	\$ 7,000,000	\$ 3,000,000	\$ 227,685,000
Accrued Interest Payable - Bonds	-	(5,070)	886,677	-	976,400	862,708	-	260,641	112,445	701,433	-	543,035	491,504	563,243	596,278	611,458	814,719	7,415,471
Fees Payable	381,006	3,775	74,803	172	95,686	100,562	-	90,048	48,044	46,345	-	49,659	84,388	85,726	89,888	88,579	52,982	1,291,663
Due to the Loan Reserve Fund	149,674	67,920	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	217,594
Total Current Liabilities	530,680	66,625	37,961,480	172	54,072,086	963,270	-	7,850,689	21,660,489	32,747,778	-	20,092,694	16,775,892	19,133,969	13,186,166	7,700,037	3,867,701	236,609,728
NONCURRENT LIABILITIES																		
Bonds Payable	-	-	162,800,000	-	186,800,000	250,000,000	-	35,090,000	47,300,000	126,800,000	-	119,400,000	118,880,000	143,940,000	152,500,000	180,000,000	212,850,000	1,736,360,000
Premium on Bonds Payable	-	-	(79,604)	-	(492,102)	10,501,905	-	-	(275,464)	(157,175)	-	1,196,812	1,229,164	1,169,608	2,858,512	5,912,531	10,710,037	32,574,224
Total Noncurrent Liabilities	-	-	162,720,396	-	186,307,898	260,501,905	-	35,090,000	47,024,536	126,642,825	-	120,596,812	120,109,164	145,109,608	155,358,512	185,912,531	223,560,037	1,768,934,224
Total Liabilities	530,680	66,625	200,681,876	172	240,379,984	261,465,175	-	42,940,689	68,685,025	159,390,603	-	140,689,506	136,885,056	164,243,577	168,544,678	193,612,568	227,427,738	2,005,543,952
NET POSITION																		
Restricted	19,438,116	5,660,441	48,010,605	(19,932,016)	131,013,232	6,957,996	(50,843,814)	4,215,461	53,070,956	27,685,338	(16,286,257)	24,438,300	16,840,870	15,283,474	5,651,062	5,459,629	8,881,916	285,545,299
Total Liabilities and Net Position	\$ 19,968,796	\$ 5,727,066	\$ 248,692,481	\$ (19,931,844)	\$ 371,393,216	\$ 268,423,171	\$ (50,843,814)	\$ 47,156,150	\$ 121,755,981	\$ 187,075,941	\$ (16,286,257)	\$ 165,127,806	\$ 153,725,926	\$ 179,527,051	\$ 174,195,730	\$ 199,072,197	\$ 236,309,654	\$ 2,291,089,251

*Bonds have been retired

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	Retired 1998 Indenture*	Retired 2008*	Retired 2009 Series A*	Retired 2009 Indenture Loan Reserve Fund*	2010-1 Series	2017-1	2010-1 Indenture Loan Reserve Fund	2010 FFELP	2010-2	2011-1	2010-2 Indenture Loan Reserve Fund	2012-1	2013-1	2014-1	2015-1	2016-1	2018-1	2019-1	Total
OPERATING REVENUES																			
Interest Income:																			
NJCLASS Student Loans	\$ 136,910	\$ 40,435	\$ 12,639,890	\$ -	\$ 14,706,371	\$ 12,558,948	\$ -	\$ -	\$ 5,520,700	\$ 9,181,637	\$ -	\$ 8,427,014	\$ 8,254,159	\$ 9,763,372	\$ 8,473,690	\$ 9,859,947	\$ 11,188,713	\$ 339,280	\$ 111,091,066
FFELP Student Loans	-	-	-	-	-	-	-	2,173,228	-	-	-	-	-	-	-	-	-	-	2,173,228
Total Interest Income	136,910	40,435	12,639,890	-	14,706,371	12,558,948	-	2,173,228	5,520,700	9,181,637	-	8,427,014	8,254,159	9,763,372	8,473,690	9,859,947	11,188,713	339,280	113,264,294
Administrative Fee Income	-	-	-	-	-	2,146,902	-	-	-	-	-	-	-	-	(21)	(1,733)	2,571,427	-	4,716,575
Total Operating Revenues	136,910	40,435	12,639,890	-	14,706,371	14,705,850	-	2,173,228	5,520,700	9,181,637	-	8,427,014	8,254,159	9,763,372	8,473,669	9,858,214	13,760,140	339,280	117,980,869
OPERATING EXPENSES																			
Loan Servicing Fees:																			
NJCLASS Student Loans	893	1	676,578	-	1,233,916	1,768,420	-	-	445,152	530,907	-	575,612	922,461	945,544	988,947	1,029,558	1,832,934	110,055	11,060,978
FFELP Student Loans	-	-	-	-	-	-	-	682,146	-	-	-	-	-	-	-	-	-	-	682,146
Total Loan Servicing Fees	893	1	676,578	-	1,233,916	1,768,420	-	682,146	445,152	530,907	-	575,612	922,461	945,544	988,947	1,029,558	1,832,934	110,055	11,743,124
Program Expenses:																			
Annual Insurance Expense and Transaction Fees	-	-	28,986	-	22,292	50,400	-	12,499	26,816	18,944	-	34,723	19,456	41,370	27,500	40,590	33,750	-	357,326
Bad Debt Expense	(1,642,453)	(1,011,183)	-	31,721	-	-	134,618	-	-	-	507,028	578,340	280,304	418,155	464,931	479,027	975,421	-	1,215,909
RAP Expense	-	-	-	-	-	29,480	-	-	-	-	-	-	-	-	-	-	12,139	-	41,619
Total Program Expenses	(1,642,453)	(1,011,183)	28,986	31,721	22,292	79,880	134,618	12,499	26,816	18,944	507,028	613,063	299,760	459,525	492,431	519,617	1,021,310	-	1,614,854
Bond Interest Expense	-	5,070	9,747,183	-	9,633,593	8,187,790	-	1,259,397	2,553,140	6,942,428	-	5,185,084	4,371,718	5,368,600	5,518,077	5,455,557	7,245,046	409,422	71,882,105
Total Operating Expenses	(1,641,560)	(1,006,112)	10,452,747	31,721	10,889,801	10,036,090	134,618	1,954,042	3,025,108	7,492,279	507,028	6,373,759	5,593,939	6,773,669	6,999,455	7,004,732	10,099,290	519,477	85,240,083
OPERATING INCOME (LOSS)	1,778,470	1,046,547	2,187,143	(31,721)	3,816,570	4,669,760	(134,618)	219,186	2,495,592	1,689,358	(507,028)	2,053,255	2,660,220	2,989,703	1,474,214	2,853,482	3,660,850	(180,197)	32,740,786
NONOPERATING REVENUES (EXPENSES)																			
Income on Investments	179,349	26,096	918,327	3,258	1,097,879	1,139,945	4,796	46,912	416,756	658,609	2,805	651,580	540,084	547,747	415,193	514,701	1,730,999	180,582	9,075,618
Gain on Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parity Release Distribution	-	-	-	-	-	-	-	(1,134,141)	-	-	-	-	-	-	-	-	-	-	(1,134,141)
Excess Parity Release Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Transfer	-	-	(6,001,421)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,001,421	-
Equity Contribution for 2019-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization Expense - Prepaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	179,349	26,096	(5,083,094)	3,258	1,097,879	1,139,945	4,796	(1,087,229)	416,756	658,609	2,805	651,580	540,084	547,747	415,193	514,701	1,730,999	6,182,003	7,941,477
CHANGE IN NET POSITION	1,957,619	1,072,643	(2,895,951)	(28,463)	4,914,449	5,809,705	(129,822)	(868,043)	2,912,348	2,347,967	(504,223)	2,704,835	3,200,304	3,537,450	1,889,407	3,368,183	5,391,849	6,001,806	40,682,263
Net Position (Deficit) - Beginning of Year	19,438,116	5,660,441	48,010,605	(19,932,016)	131,013,232	6,957,996	(50,843,814)	4,215,461	53,070,956	27,685,338	(16,286,257)	24,438,300	16,840,870	15,283,474	5,651,052	5,459,629	8,881,916	-	285,545,299
NET POSITION (DEFICIT) - END OF YEAR	\$ 21,395,935	\$ 6,733,084	\$ 45,114,654	\$ (19,960,479)	\$ 135,927,681	\$ 12,767,701	\$ (50,973,636)	\$ 3,347,418	\$ 55,983,304	\$ 30,033,305	\$ (16,790,480)	\$ 27,143,135	\$ 20,041,174	\$ 18,820,924	\$ 7,540,459	\$ 8,827,812	\$ 14,273,765	\$ 6,001,806	\$ 326,227,562

*Bonds have been retired

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018**

	Retired 1998 Indenture*	Retired 2008	2009 Series A	2009 Indenture Loan Reserve Fund	2010-1 Series	2017-1	2010-1 Indenture Loan Reserve Fund	2010 FFELP	2010-2	2011-1	2010-2 Indenture Loan Reserve Fund	2012-1	2013-1	2014-1	2015-1	2016-1	2018-1	Total
OPERATING REVENUES																		
Interest Income:																		
NJCLASS Student Loans	\$ (6,027)	\$ 8,636,628	\$ 15,140,652	\$ -	\$ 17,802,135	\$ 7,183,528	\$ -	\$ -	\$ 7,099,278	\$ 10,895,301	\$ -	\$ 10,471,474	\$ 9,667,568	\$ 11,105,341	\$ 9,335,037	\$ 9,058,485	\$ 747,414	\$ 117,136,814
FFELP Student Loans	-	-	-	-	-	-	-	2,270,991	-	-	-	-	-	-	-	-	-	2,270,991
Total Interest Income	(6,027)	8,636,628	15,140,652	-	17,802,135	7,183,528	-	2,270,991	7,099,278	10,895,301	-	10,471,474	9,667,568	11,105,341	9,335,037	9,058,485	747,414	119,407,805
Administrative Fee Income	-	-	-	-	-	3,845,658	-	-	-	-	-	-	-	-	(1,318)	1,230,349	1,138	5,075,827
Total Operating Revenues	(6,027)	8,636,628	15,140,652	-	17,802,135	11,029,186	-	2,270,991	7,099,278	10,895,301	-	10,471,474	9,667,568	11,105,341	9,333,719	10,288,834	748,552	124,483,632
OPERATING EXPENSES																		
Loan Servicing Fees:																		
NJCLASS Student Loans	8,477	478,659	866,133	-	1,436,753	2,083,432	-	-	576,414	636,161	-	669,470	1,082,817	1,072,981	1,067,687	1,372,298	106,380	11,457,662
FFELP Student Loans	-	-	-	-	-	-	-	806,766	-	-	-	-	-	-	-	-	-	806,766
Total Loan Servicing Fees	8,477	478,659	866,133	-	1,436,753	2,083,432	-	806,766	576,414	636,161	-	669,470	1,082,817	1,072,981	1,067,687	1,372,298	106,380	12,264,428
Program Expenses:																		
Annual Insurance Expense and Transaction Fees	-	171,656	10,000	-	16,786	30,000	-	3,111	5,000	12,873	-	35,000	27,500	10,000	39,050	27,500	-	388,476
Bad Debt Expense	(1,943,646)	254,093	-	770,932	-	-	(5,555)	-	-	-	1,184,988	826,132	879,269	761,668	722,659	303,390	-	3,753,930
RAP Expense	-	-	-	-	-	253	-	-	-	-	-	-	-	-	-	-	-	253
Total Program Expenses	(1,943,646)	425,749	10,000	770,932	16,786	30,253	(5,555)	3,111	5,000	12,873	1,184,988	861,132	906,769	771,668	761,709	330,890	-	4,142,659
Bond Interest Expense	-	7,111,780	12,098,446	-	12,657,210	8,187,790	-	1,336,611	3,373,528	8,658,772	-	6,084,581	5,038,189	6,078,800	6,053,237	5,751,875	635,487	83,066,306
Total Operating Expenses	(1,935,169)	8,016,188	12,974,579	770,932	14,110,749	10,301,475	(5,555)	2,146,488	3,954,942	9,307,806	1,184,988	7,615,183	7,027,775	7,923,449	7,882,633	7,455,063	741,867	99,473,393
OPERATING INCOME (LOSS)	1,929,142	620,440	2,166,073	(770,932)	3,691,386	727,711	5,555	124,503	3,144,336	1,587,495	(1,184,988)	2,856,291	2,639,793	3,181,892	1,451,086	2,833,771	6,685	25,010,239
NONOPERATING REVENUES (EXPENSES)																		
Income on Investments	48,315	128,661	434,728	1,263	577,815	1,257,219	1,852	22,131	244,979	325,111	1,072	272,206	224,881	228,744	179,472	384,317	175,231	4,507,997
Gain on Bond Retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parity Release Distribution	-	-	-	-	-	-	-	(1,012,384)	-	-	-	-	-	-	-	-	-	(1,012,384)
Excess Parity Release Distribution	-	-	-	-	(4,000,000)	-	-	-	(5,000,000)	-	-	(8,000,000)	(3,000,000)	-	-	-	-	(20,000,000)
Gain (Loss) on Transfer	-	(7,500,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,500,000
Equity Contribution for 2018-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,200,000
Amortization Expense - Prepaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	48,315	(7,371,339)	434,728	1,263	(3,422,185)	1,257,219	1,852	(990,253)	(4,755,021)	325,111	1,072	(7,727,794)	(2,775,119)	228,744	179,472	384,317	8,675,231	(15,304,387)
CHANGE IN NET POSITION	1,977,457	(6,750,899)	2,600,801	(769,669)	269,201	1,984,930	7,407	(865,750)	(1,610,685)	1,912,606	(1,183,916)	(4,871,503)	(135,326)	3,410,636	1,630,558	3,218,088	8,881,916	9,705,852
Net Position (Deficit) - Beginning of Year	17,460,659	12,411,340	45,409,804	(19,162,347)	130,744,031	4,973,066	(50,851,221)	5,081,211	54,681,641	25,772,732	(15,102,341)	29,309,803	16,976,196	11,872,838	4,020,494	2,241,541	-	275,639,447
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 19,438,116</u>	<u>\$ 5,660,441</u>	<u>\$ 48,010,605</u>	<u>\$ (19,932,016)</u>	<u>\$ 131,013,232</u>	<u>\$ 6,957,996</u>	<u>\$ (50,843,814)</u>	<u>\$ 4,215,461</u>	<u>\$ 53,070,956</u>	<u>\$ 27,685,338</u>	<u>\$ (16,286,257)</u>	<u>\$ 24,438,300</u>	<u>\$ 16,840,870</u>	<u>\$ 15,283,474</u>	<u>\$ 5,651,052</u>	<u>\$ 5,459,629</u>	<u>\$ 8,881,916</u>	<u>\$ 285,545,299</u>

*Bonds have been retired



**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 years ended June 30, 2019 and 2018, and related notes to the financial statements, which collectively comprise the Programs' basic financial statements, and have issued our report thereon dated October 18, 2019.

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Mt. Laurel, New Jersey
October 18, 2019

