NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

NJCLASS/FFELP LOAN PROGRAMS FINANCIAL STATEMENTS

June 30, 2009 and 2008

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

NJCLASS/FFELP LOAN PROGRAMS

Table of Contents

June 30, 2009 and 2008

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
A Mercadien Group Company

INDEPENDENT AUDITORS' REPORT

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

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") (the "Programs") of the New Jersey Higher Education Student Assistance Authority (the "Authority") as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Programs' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Programs at June 30, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PENNSYLVANIA OFFICE:
86 BUCK ROAD
HOLLAND, PA 18966
TEL 215-355-4860
FAX 215-825-8110

P.O. Box 7648 • Princeton, NJ 08543-7648 • 609.689.9700 • Fax 609.689.9720
www.mercadien.com

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 fairly the financial position of the Authority as of June 30, 2009 and 2008, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2009 on our consideration of the Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 39-42 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mercadien, PC
Certified Public Accountants

October 20, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. 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 financial statements is provided in this overview.

Overview of the Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.

Financial Highlights and Analysis

The Programs' net assets, referring to the difference between assets and liabilities, increased by $34,405,162 from the prior fiscal year. The term "Net Assets" is used in accordance with rules promulgated under Governmental Accounting Standards Board ("GASB") Statement No. 34, as amended.

As of June 30, 2009, assets of the Programs exceeded liabilities by $39,950,586.

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 $1,519,264,178 and $1,193,314,633 at June 30, 2009 and 2008 respectively, an increase of $325,949,546, due to loan originations during the year, reduced by loan principal repayments.

Changes in Cash & Investments Balances

The second major asset component was cash and investments, which together totaled $656,436,937 at June 30, 2009, versus $341,650,724 at the prior year end. The cash and investment balances represent the amounts dedicated to student loan origination and acquisition, funding of reserves required by bond covenants, payment of future Program expenses, and future retirements of bonds.

The increase in Cash & Investments was due to the following reasons:

- A total of $800,000,000 par amount in NJCLASS/FFELP Bonds were issued during Fiscal 2009, due to the delay in issuance of the 2008 Bonds until August 2008, combined with the issuance of the Authority's 2009 Series A Bonds on June 23, 2009. In addition to the par amounts, these issues received capital contributions totalling $15,097,854. See NOTES TO FINANCIAL STATEMENTS - E. BONDS PAYABLE - **NJCLASS Program Funding-Capital Contributions**.

- Cash & Investments balances were replenished from principal repayments and interest income from NJCLASS and FFELP borrowers, amounting to approximately $154,350,679 during the year. In addition, NJCLASS application/administrative fee income was $7,511,360, and $8,362,359 in interest was earned on investments.

Changes in Liabilities – Bonds Payable

The main liability of the Programs is the related debt used to originate or acquire these loans. Bonds payable increased from the prior year by $616,875,000, due to the aforementioned issuance of new debt, reduced by bond redemptions, which utilized a total of $155,903,500 in cash. Of the amount retired;

- $169,200,000 was through Special Redemptions of portions of the Authority's auction rate bond issues at prices ranging from 82% to 85% of par, resulting in total gains on retirement of $27,221,500.
- $5,685,000 was due to the Optional Redemption of the all of the remaining 1996 & 1997 Series A Bonds on June 1, 2009.
- $1,875,000 was due to excess revenue calls, resulting from better than forecasted cash flows on the related student loans.
- $6,365,000 in retirements was due to scheduled bond maturities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following tables contain condensed comparative financial information derived from the June 30, 2009 and 2008, financial statements of the NJCLASS/FFELP Loan Programs:

	June 30,		
	2009	2008	Change
Net Assets			
Current Assets	$ 741,719,130	$ 416,439,637	$ 325,279,493
Non-Current Assets	1,473,059,598	1,148,353,914	324,705,684
Total Assets	$ 2,214,778,728	$ 1,564,793,551	$ 649,985,177
Current Liabilities	$ 14,697,341	$ 20,568,127	$ (5,870,786)
Revenue Bonds Outstanding - Net of Current Portion	2,156,170,000	1,538,680,000	617,490,000
Premium on Bonds Payable	3,960,801	-	3,960,801
Total Liabilities	2,174,828,142	1,559,248,127	615,580,015
Net Assets, Restricted	39,950,586	5,545,424	34,405,162
Total Liabilities and Net Assets	$ 2,214,778,728	$ 1,564,793,551	$ 649,985,177

	Year Ended June 30,		
	2009	2008	Change
Changes in Net Assets			
Operating Revenues	$ 98,496,908	$ 77,037,879	$ 21,459,029
Operating Expenses	113,854,378	140,881,739	(27,027,361)
Operating Loss	(15,357,470)	(63,843,860)	48,486,390
Non-Operating Revenues (Expenses)			
Income on Investments	8,362,359	23,590,357	(15,227,998)
NJCLASS/FFELP Program Funding	15,097,854	-	15,097,854
Gain on Bond Retirement	27,221,500	-	27,221,500
Miscellaneous Income (Expense)	(188,650)	538,497	(727,147)
Amortization of Bond Issuance Costs	(528,956)	(474,140)	(54,816)
Amortization of Financial Instrument Issuance Costs	(101,843)	(108,373)	6,530
Arbitrage Expense	(99,632)	85,820	(185,452)
Net Non-Operating Revenues	49,762,632	23,632,161	26,130,471
Change in Net Assets	34,405,162	(40,211,699)	74,616,861
Net Assets, beginning of year	5,545,424	45,757,123	(40,211,699)
Net Assets, end of year	$ 39,950,586	$ 5,545,424	$ 34,405,162

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Operating Revenues

- Interest income on NJCLASS student loans increased by $23,024,517, or 37%, due to the approximately $690 million in NJCLASS originations during the 2008 & 2009 Fiscal years.
- NJCLASS application/administration fee income for FY 2009 increased by $388,320, due to the growth in new loan volume over the previous year.
- Interest income on FFELP loans decreased by $1,955,175, primarily due to the reduction in the 91 day T-bill rate used to determine the annual reset of interest rates on many of the seasoned loans contained in the Program's portfolio of FFELP loans from 4.92% to 1.91%, effective July 1, 2008.

Operating Expenses

Bond Interest Expense

- Bond interest expense decreased by approximately $31,500,000, primarily due to the following:
    - During a portion of Fiscal 2008, interest rates on HESAA's ARC bonds were temporarily at the maximum rates permitted under the indentures, due to the reasons described below in **Auction Failures - "All Hold" rate.** This circumstance did not recur in Fiscal 2009, although all auctions of these bonds have continued to fail since February 13, 2008.
    - The retirements during Fiscal 2009 of $183,125,000 of HESAA Bonds, including $169,200,000 of ARCs.
    - The variable interest rates on the ARC Bond issues by HESAA have remained generally below 1% during the entire 2009 Fiscal Year.
    - Partially offsetting this decrease was the initial annual debt service of $19,057,084 on the 2008 Bonds, issued August 7, 2008.
    - As of June 30, 2009, the NJCLASS/FFELP program had entered into interest rate swap agreements with current nominal amounts that fix the interest rates on $1,038,285,000 of variable rate Authority bonds. These swaps are designed to fix the cost of capital used to finance fixed-rate NJCLASS student loans. Interest paid on these swaps is a component of bond interest expense.

Operating Expenses (Continued)

Bad Debt Expense

- In fiscal year 2009, an additional $3,997,353 in bad debt expense was recorded, versus $2,649,994 in 2008, due to an increase in defaults on NJCLASS loans. The increase in defaults is partly a result of the significant increases in the NJCLASS loan portfolio during the 2009 and 2008 Fiscal Years, as described below in **Significant Events**. Bad debt expense is recorded when increases to the Allowance for Doubtful Accounts recorded against amounts due from the loan reserve fund to pay default claims become necessary. For a full description of the Allowance for Doubtful Accounts, see NOTES TO FINANCIAL STATEMENTS - C. STUDENT LOANS RECEIVABLE – Loan Defaults.

Program Expenses

- Other program expenses increased by $374,985 over the prior year. This was mainly caused by an increase of 45.7% in loan reserve fee expense, which is a 1% fee paid by the NJCLASS Program to the separate Loan Reserve Fund at the time loans are disbursed. This percentage increase mirrors the growth in NJCLASS loan volume for the year.

- Transaction fees decreased by $125,498, primarily due to the retirements of ARC bonds during the year.

Auction Failures - "All Hold" rate

Beginning in the 2008 Fiscal Year, conditions in the municipal securities market caused Auction Rate Certificates (ARCs), the type of variable rate securities that comprise all of the Authority's 2001 through 2007 Bonds, to become increasingly unmarketable, eventually resulting in the failure of all of the periodic auctions of these bonds, beginning in February 2008, as the investment banks that had traditionally provided backstop funding to the auction market withdrew their capital support. A failed auction is one for which sufficient clearing bids were not received to sell all the bonds being remarketed on the auction date.

When an auction fails, all bond holders prior to the auction are required to hold them for the next auction period, at the "All Hold" rate, which is the lesser of the maximum rate permitted under the supplemental indenture, or an index rate that is based on either the After Tax Equivalent Rate or the Kenny index, multiplied by an "Applicable Percentage," as defined in the supplemental indenture of the bond issue.

As a measure to prevent auction failures, on December 17, 2007, HESAA entered into an Eleventh Supplemental Indenture with its Trustee, Wells Fargo Bank, which specified that auction interest rates on these variable rate bonds could be set up to the maximum rate of 14% on the 2001 through 2006 bonds, and 12% on the 2007 bonds through May 31, 2008, without

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses (Continued)

defaulting to the lower of the maximum rate or the index rate multiplied by the Applicable Percentage, as defined in the applicable supplemental indentures.

Despite this action, all auctions on the Authority's ARC bonds failed from February 13, 2008, through the end of the current fiscal year and thru the date of the Independent Auditors' Report on these financial statements. As of June 1, 2008, the interest rate calculations reverted to the method defined in the supplemental indentures for each issue, resulting in application of the lesser of the All Hold rate, or the Maximum rate to each auction.

Non-Operating Revenues (Expenses)

- Investment interest income decreased significantly, amounting to $8,362,359, compared to $23,597,357 in the prior year, due to the extremely low market interest rates on the variable rate securities which comprise most of the Program's investment portfolio. Concurrently, the termination of five of the Authority's Guaranteed Investment Agreements, two of which were due to the retirement of the 1996 and 1997 Bond Issues, as well as lower variable interest rates on other Agreements, contributed to the decrease.

- Due to market conditions in which investments in ARC bonds could not be resold at par through the auction process, two broker/dealer firms, which were holders of these bonds made offers to HESAA to sell back portions of their holdings at below par. As a result, the Authority repurchased and retired $169,200,000 its ARC bonds through Special Redemptions, as permitted under the indentures, at prices ranging from 82% to 85% of par, resulting in total gains on retirement of $27,221,500.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-Operating Revenues (Expenses) (Continued)

Significant Events

- At fiscal year end, the Programs had $2,162,010,000 in bonds outstanding, compared to $1,545,135,000 in the prior fiscal year – an increase of 40%. This is due to the aforementioned FY 2009 issuances, netted against $183,125,000 in retirements.

- During the year, the Authority continued to experience strong growth in NJCLASS student loan volume, with cash disbursements of $370,990,389 for new loans, compared to $343,040,169 during fiscal year 2008, an increase of 8.15 %.

Cash Flows Summary:

	Year Ended June 30,	
	2009	2008
Net cash used in operating activities	$ (356,760,314)	$ (357,471,432)
Net cash flows provided by (used in) financing activities	663,141,171	(45,460,471)
Net cash flows provided by investing activities	116,322,736	427,918,003
Net increase in cash and cash equivalents	$ 422,703,593	$ 24,986,100

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

STATEMENTS OF NET ASSETS

	June 30, 2009	June 30, 2008
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 496,189,682	$ 73,486,089
Investments	160,247,255	268,164,635
NJCLASS Student Loans Receivable	40,129,042	39,558,789
FFELP Student Loans Receivable	13,580,739	13,484,735
Interest Receivable		
Investments	45,806	333,802
NJCLASS Student Loans	21,988,237	15,595,711
FFELP Student Loans	1,491,488	1,725,738
Due from the Loan Reserve Fund, net of Allowance for Doubtful Accounts of $9,320,347 and $5,322,994 in 2009 and 2008, respectively	- 7,839,430	3,912,063
Default Collections Receivable	6,489	-
Due from the State General Fund	816	6,733
Due from Loan Servicing Agents	194,716	171,342
Other Receivables	5,430	-
Total Current Assets	741,719,130	416,439,637
Non-Current Assets		
NJCLASS Student Loans Receivable	1,336,445,705	1,024,794,067
FFELP Student Loans Receivable	129,108,691	115,477,042
Bond Issuance Costs - Unamortized	7,059,797	7,588,753
Financial Instrument Issuance Costs - Unamortized	445,405	494,053
Total Non-Current Assets	1,473,059,598	1,148,353,915
Total Assets	$2,214,778,728	$1,564,793,551
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bonds Payable	$ 5,840,000	$ 6,455,000
Accrued Interest Payable - Bonds	6,605,022	12,676,616
Fees Payable	1,391,940	1,089,893
Arbitrage Payable	214,837	115,204
Due to the Loan Reserve Fund	645,542	231,414
Total Current Liabilities	14,697,341	20,568,127
Non-Current Liabilities		
Bonds Payable	2,156,170,000	1,538,680,000
Premium on Bonds Payable, Net	3,960,801	-
Total Liabilities	2,174,828,142	1,559,248,127
Net Assets		
Restricted	39,950,586	5,545,424
Total Liabilities and Net Assets	$2,214,778,728	$1,564,793,551

See notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2009	2008
Operating Revenues		
Interest Income		
NJCLASS Student Loans	$ 84,184,118	$ 61,159,601
FFELP Student Loans	6,800,063	8,755,238
Application/Administrative Fee Income	7,511,360	7,123,040
Loan Reserve Fee Income	1,367	-
Total Operating Revenues	98,496,908	77,037,879
Operating Expenses		
Loan Servicing Fees		
NJCLASS Student Loans	10,678,431	8,033,987
FFELP Student Loans	2,754,521	2,543,282
Total Loan Servicing Fees	13,432,952	10,577,269
Program Expenses		
Annual Insurance Expense	1,304,425	1,006,264
Transaction Fees	2,275,569	2,401,067
Bad Debt Expense	3,997,353	2,649,994
Default Expense	6,991	-
Other Program Expenses	3,852,390	3,722,405
Total Program Expenses	11,436,728	9,779,730
Bond Interest Expense	88,984,698	120,524,740
Total Operating Expenses	113,854,378	140,881,739
Operating Loss	(15,357,470)	(63,843,860)
Non-Operating Revenues (Expenses)		
Income on Investments	8,362,359	23,590,357
NJCLASS/FFELP Program Funding	15,097,854	-
Gain on Bond Retirements	27,221,500	-
Miscellaneous (Expense) Income	(188,650)	538,497
Amortization of Bond Issuance Costs	(528,956)	(474,140)
Amortization of Financial Instrument Issuance Costs	(101,843)	(108,373)
Arbitrage (Expense) Recovery	(99,632)	85,820
Net Non-Operating Revenues	49,762,632	23,632,161
Change in Net Assets	34,405,162	(40,211,699)
Net Assets, beginning of year	5,545,424	45,757,123
Net Assets, end of year	$ 39,950,586	$ 5,545,424

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2009	2008
Cash Flows from Operating Activities		
Interest Receipts		
NJCLASS Student Loans	$ 48,023,563	$ 36,774,715
FFELP Student Loans	5,677,327	7,843,414
Principal Receipts		
NJCLASS Student Loans	83,189,149	69,498,397
FFELP Student Loans	17,460,640	18,167,008
Reimbursements from Loan Reserve Fund	5,334,543	7,155,514
NJCLASS Student Loan Disbursements	(370,990,389)	(343,040,169)
FFELP Student Loan Purchases	(29,814,083)	(22,433,843)
Annual Insurance Expense	(1,304,425)	(1,006,264)
Transaction Fees	(1,973,522)	(2,363,839)
Loan Servicing Fees	(13,447,711)	(10,423,701)
Payments to Loan Reserve Fund	(3,845,378)	(3,705,626)
Interest Paid on Bonds	(95,070,028)	(113,937,038)
Net Cash Used in Operating Activities	(356,760,314)	(357,471,432)
Cash Flows from Financing Activities		
Principal Paid on Bonds	(155,903,500)	(45,850,000)
Bond Proceeds	803,974,537	-
NJCLASS Program Funding	15,123,329	-
Miscellaneous Income	-	538,497
Bond Issuance Costs	-	(24,454)
Financial Instrument Issuance Costs	(53,195)	(124,514)
Net Cash Flows Provided by (Used in) Financing Activities	663,141,171	(45,460,471)
Cash Flows from Investing Activities		
Investment Purchases, Sales Proceeds and Maturities, Net	107,917,381	402,631,344
GIC Termination Fee	(245,000)	-
Arbitrage Payments	-	(91,863)
Interest on Investments	8,650,355	25,378,522
Net Cash Flows Provided by Investing Activities	116,322,736	427,918,003
Net Increase in Cash	422,703,593	24,986,100
Cash and Cash Equivalents at Beginning of Year	73,486,089	48,499,989
Cash and Cash Equivalents at End of Year	$496,189,682	$ 73,486,089

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

STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended June 30, 2009	2008
Reconciliation of Operating Loss to Net Cash used in Operating Activities		
Operating loss	$ (15,357,470)	$ (63,843,860)
Adjustments to reconcile operating loss to net cash used by operating activities		
Bad Debt Expense	3,997,353	2,649,994
Net change in assets and liabilities		
NJCLASS Student Loans Receivable	(312,221,892)	(287,888,966)
FFELP Student Loans Receivable	(13,727,653)	(5,513,472)
Interest Receivable		
NJCLASS Student Loans	(6,392,526)	(4,352,896)
FFELP Student Loans	234,250	395,715
Due from Loan Reserve Fund	(7,924,720)	(5,275,444)
Default Collections Receivable	(6,489)	-
Due from General Fund	5,917	(4,822)
Due from Loan Servicing Agents	7,501	94,085
Other receivables	(5,430)	-
Accrued Interest Payable - Bonds	(6,085,330)	6,587,702
Fees Payable	302,047	37,228
Due to Loan Reserve Fund	414,128	(356,696)
Net cash used in operating activities	$ (356,760,314)	$ (357,471,432)
Non-Cash Financing Activities		
Amortization - Bond Issuance Costs	$ 528,956	$ 474,140
Amortization - Financial Instrument Issuance Costs	101,843	108,373
Amortization - Premium on Bonds Payable	(13,736)	-
Total Non-Cash Financing Activities	$ 617,063	$ 582,513

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Authority

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

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

Reporting Entity

The reporting entity is comprised of the New Jersey College Loans to Assist State Students ("NJCLASS") Loan Program and the Federal Family Education Loan Program ("FFELP") (collectively, the "Programs"). These financial statements present only the business-type activities of the NJCLASS and FFELP Loan Programs of the Authority and do not purport to, and do not present fairly the financial position of the Authority as of June 30, 2009 and 2008, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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"). Each year since 2001, the Authority has purchased such 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. In addition to loans purchased from outside servicing organizations, 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. The Authority plans to continue to acquire and act as a guarantor and/or holder of FFELP loans.

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The Programs have elected to follow GASB pronouncements exclusively.

Operating Revenues and Expenses

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

Cash and Cash Equivalents

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

Basis of Investments

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

(1) Government obligations and any obligations of any state or political subdivision of a state (collectively, the "Municipal Bonds").

(2) U.S. Government and certain other governmental agencies' obligations.

(3) Insured certificates of deposit.

(4) Other investments acceptable by the State of New Jersey and rated accordingly by either Standard and Poor's ("S&P"), Moody's or A.M. Best, including annuity contracts and repurchase agreements.

Use of Estimates

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes

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

Bond Issuance Costs

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

Bond Premiums and Discounts

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

Financial Instrument Issuance Costs

All separately identifiable costs associated with the issuance of financial instruments are amortized on a straight-line basis over the life of the financial instruments, which approximates the effective interest method.

Restricted Net Assets

In accordance with the terms of the various bond resolutions, the excess of assets over liabilities under such bond resolutions is classified as restricted net assets.

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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

Additionally, the Programs utilize lockbox accounts to clear cash receipts. Amounts on deposit in the NJCLASS lockbox accounts at Wachovia National Bank are collateralized by direct obligations of or obligations guaranteed by the United States or the State of New Jersey in accordance with New Jersey Statute 52:18-16 and New Jersey Department of Treasury policy. GASB Statement No. 40 excludes such cash balances from custodial credit risk disclosure.

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

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

	June 30, 2009	June 30, 2008
Lockbox Cash (Wachovia Bank)	$ 2,419,383	$ 2,875,652
Trust Accounts invested in		
Wells Fargo Advantage Government Money Market Fund	-	70,610,437
Wells Fargo Advantage Heritage Money Market Fund	493,770,299	-
	$ 496,189,682	$ 73,486,089

Investments

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

Investment policies are defined in "Basis of Investments," in Note A, Summary of Significant Accounting Policies.

The debt service reserve accounts are restricted by the bond indentures for the payment of principal and/or interest on the bonds, to the extent other available monies held under the indentures are insufficient to pay the interest on the bonds or to meet any sinking fund requirements. The amounts in the debt service reserve accounts for the various bond issues, which are included in investments at June 30, 2009 and 2008, were $40,424,600 and $35,411,135, respectively.

The fair value of these investments approximates cost.

Investments - Custodial Credit Risk

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

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments - Custodial Credit Risk (Continued)

On July 1, 2008, the credit rating of MBIA, Inc., parent company of MBIA Investments, Inc., provider of the Guaranteed Investment Contract (GIC) for the HESAA 2000 Bonds, was lowered from AAA to A-2 by Moody's, Inc., and from AAA to AA- by Standard & Poors, Inc. Under terms of this investment agreement, MBIA is required to post collateral in the event of such a downgrade. On August 26, 2008, a custody agreement was signed by MBIA and the NJCLASS Trustee, Wells Fargo Bank, and collateral was posted by MBIA for this GIC.

The amounts held in guaranteed investment contracts and the New Jersey Cash Management Fund at June 30, 2009 and 2008, respectively, are summarized below:

	June 30,	
	2009	2008
Guaranteed Investment Contracts	$ 160,221,780	$ 268,164,635
New Jersey Cash Management Fund	25,475	-
Total	$ 160,247,255	$ 268,164,635

Investments - Concentration of Credit Risk

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

Bayern LB	12.88%
NATIXIS Funding Corp	25.47%
Rabobank	6.79%
Royal Bank of Canada	53.72%

These risks are mitigated by the collateral provisions of the Guaranteed Investment Contracts that govern these investments.

Investments - Interest Rate Risk

NJCLASS/FFELP investment policies, as described in Note A, Summary of Significant Accounting Policies, Basis of Investments, require balances to be maintained in high quality, low-risk investment options. All investment vehicles used by the Authority seek to maintain a stable price of $1.00 per share. In these types of investments, it is highly unlikely that normal fluctuations in interest earnings on the underlying securities would cause a loss of principal. Consequently, NJCLASS/FFELP investments are not subject to interest rate risk.

C. STUDENT LOANS RECEIVABLE

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

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

(1) To pay principal and interest monthly, beginning within 60 days of disbursement;
(2) To pay only interest, quarterly, while the student is in school and thereafter to pay principal and interest monthly; or
(3) To defer principal and interest payments while the student is in school and thereafter to pay principal and interest monthly.

Under options (1) and (2) as defined above, the NJCLASS loans originated from 1991 through 2009 generally bear interest at rates ranging from 5.25% to 8.95%.

Under option (3), deferred interest payments on loans funded from the 1991 through 1996 Bond Issues are added to the original loan balance on a quarterly basis. Deferred interest on loans funded from the 1997 through 2009 Issues is added to the original loan balance on an annual basis. Under this option, rates range from 5.55% to 9.25%.

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

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

In June 2005, HESAA initiated an NJCLASS Consolidation Loan Program that allows existing NJCLASS borrowers who are out of school or withdrawn to consolidate their existing NJCLASS loans. The NJCLASS Consolidation Loan offers terms of either 25 or 30 years, depending on the dollar amount. The interest rate is a blended rate derived from the rates on the underlying loans being consolidated. As of June 30, 2009 and 2008, the amount of NJCLASS Consolidation Loans outstanding was $97,429,571 and $80,287,487, respectively.

C. STUDENT LOANS RECEIVABLE (CONTINUED)

In order to better meet the needs of student loan borrowers, effective June 1, 2006, HESAA made several changes to the NJCLASS Loan program, beginning during the 2006-2007 academic year. The repayment term for its Fixed Rate Standard NJCLASS Loans was increased from 15 years to 20 years, the application fee for Fixed Rate Standard NJCLASS Loans and Graduate/Professional NJCLASS Loans was reduced from 3% to 2%, and new Graduate/Professional NJCLASS Loans were originated at a fixed interest rate, as opposed to the variable rate subject to annual reset that was applied to loans originated in previous years.

Concurrent with the issuance of the 2009 Series A Bonds, the Authority introduced the Med/NJ pilot program, an NJCLASS loan for students working toward a MD, DO, DDS or DMD degree. This program offers a 25-year repayment term and a special 3-year residency deferment. For borrowers choosing deferment of principal and interest while in school, interest is capitalized at graduation and at the end of the residency period. For academic year 2009-2010 these loans will bear a fixed interest rate of 8.2% for borrowers who initially choose either to make monthly repayment of principal and interest or make quarterly interest payments while in school. Loans for borrowers who defer payment of principal and interest will carry a rate of 8.50%.

Loan Servicing

In conjunction with the Authority's servicing of the student loans, the NJCLASS Loan Program remits to the Authority certain fees for Program administration, which are paid from Program revenues. For the years ended June 30, 2009 and 2008, $10,678,431 and $8,033,987 of servicing fees, respectively, were included in loan servicing fees charged to the NJCLASS Loan Program. In connection with the purchases of portfolios of existing loans, FFELP pays certain fees for Program administration, which are payable from Program revenues. For the years ended June 30, 2009 and 2008, the fees include administrative expenses of $671,495 and $616,802, respectively, paid to the Authority and fees paid to servicing agents of $840,490 and $734,341, respectively. In addition, for the years ended June 30, 2009 and 2008, loan consolidation rebate fees of $986,650 and $913,984, respectively, were paid to the United States Department of Education. Premium expense on purchases of FFELP loans for the years ended June 30, 2009 and 2008, amounted to $242,119 and $253,399, respectively.

Loan Defaults/Loan Reserve Fund

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

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

C. STUDENT LOANS RECEIVABLE (CONTINUED)

Loan Defaults/Loan Reserve Fund (Continued)

The Loan Reserve Fund is a separate fund established by the Authority to protect the interests of NJCLASS bondholders by reimbursing the various HESAA bond issues when loans default. This fund is not part of the NJCLASS Loan Program, thus it is not included in the accompanying financial statements. Amounts subsequently received relative to defaulted student loans are used to replenish the Loan Reserve Fund to the extent of 70% of recoveries. The Authority retains the remaining 30% as a collection fee.

During fiscal years ended 2009 and 2008, claims paid by the loan reserve funds totalled $4,937,813 and $7,576,923, respectively. As of June 30, 2009 and 2008, the balances due from the Loan Reserve Fund to cover defaulted loans totaled $17,159,776 and $9,235,037, respectively.

The Authority considers most of the amount due from its NJCLASS Loan Reserve Fund to be collectible. However, because the ability to pay claims from the Loan Reserve Fund is partially dependent on collections on defaulted loans, management continually evaluates the cash flows of this Fund to determine its ability to reimburse the bond issues on a timely basis. During the fiscal years 2009 and 2008, based on past collections experience and an analysis of the current receivable from the Loan Reserve Fund, management recorded allowances for doubtful accounts in the amount of $9,320,347 and $5,322,994, respectively, against the June 30, 2009 and 2008, amounts due from the Loan Reserve Fund.

In addition, the Loan Reserve Fund receives 1% of the loans disbursed from the 2% application fee paid by the borrower. During the years ended June 30, 2009 and 2008, amounts of $3,845,378 and $3,705,626, respectively, were paid to the Loan Reserve Fund maintained by the Authority from loan application fees. As of June 30, 2009 and 2008, the balances due to the Loan Reserve Fund from loan application fees and default collections totalled $645,542 and $231,414, respectively.

D. USE OF FINANCIAL INSTRUMENTS

The Authority has entered into financial instrument contracts with various counterparties in connection with its Tax Exempt Variable Rate Bonds, also known as Auction Rate Certificates ("ARCs"), issued between 2001 and 2007 to support its NJCLASS loan program. These include sixteen (16) floating to fixed interest rate swaps ("Swaps") and two (2) interest rate caps ("Caps").

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

D. USE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

No amounts relating to these agreements are recorded in the financial statements other than the net interest expense resulting from the agreements.

The interest rates, notional amounts, provider (or counterparty), fair values and termination dates for each ARC bond issue and financial instrument agreement at June 30, 2009 and 2008, are detailed in the attached schedules.

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

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

NOTES TO FINANCIAL STATEMENTS

D. USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2009

Transaction Type	Bond Issue	Fixed Rate	Notional Amount	Fair Value (1)	Provider	Settlement Occur	Termination Date	Amortized to
Swap	2001	4.6830%	$ 37,935,000	$ 3,531,350	UBS AG	Semi-annually	06/01/16	$ 3,995,000
Swap		4.0175%	33,925,000	2,311,701	UBS AG	Semi-annually	06/01/16	3,565,000
Cap		6.4000%	4,650,000	(5,900)	UBS AG	05/19/01	06/01/19	1,300,000
		Total	76,510,000	5,837,150				
Swap	2002	4.2005%	48,100,000	3,745,800	J.P. Morgan	Semi-annually	06/01/17	5,100,000
Swap		3.2970%	29,575,000	1,166,261	J.P. Morgan	Semi-annually	06/01/17	2,760,000
		Total	77,675,000	4,912,061				
Swap	2003	3.1710%	54,750,000	1,661,719	UBS AG	Semi-annually	12/01/18	3,000,000
Swap		3.1710%	54,750,000	1,665,080	Citigroup	Semi-annually	12/01/18	3,000,000
Cap		0.3930%	11,850,000	254,866	UBS AG	Annually	06/01/28	-
		Total	121,350,000	3,581,665				
Swap	2004	4.1480%	66,375,000	5,055,094	UBS AG	Semi-annually	12/01/19	3,250,000
Swap		4.1480%	66,375,000	5,063,118	Citigroup	Semi-annually	12/01/19	3,250,000
Swaption			-	(723,832)	UBS AG		06/01/19	
Swaption			-	(867,074)	Citigroup		12/01/09	
		Total	132,750,000	8,527,306				
Swap	2005	4.0100%	67,500,000	4,747,227	UBS AG	Semi-annually	06/01/21	3,000,000
Swap		4.0100%	67,500,000	4,755,574	Citigroup	Semi-annually	06/01/21	3,000,000
Swaption			-	(747,906)	UBS AG		06/01/21	
Swaption			-	(773,358)	Citigroup		06/01/21	
		Total	135,000,000	7,981,537				
Swap	2006	4.4750%	72,500,000	8,254,991	UBS AG	Semi-annually	06/01/31	1,000,000
Swap		4.4750%	72,500,000	8,243,051	Citigroup	Semi-annually	06/01/31	1,000,000
Swaption			-	(1,696,618)	UBS AG		06/01/31	
Swaption			-	(1,710,784)	Citigroup		06/01/31	
		Total	145,000,000	13,090,640				
Swap	2007	4.0970%	46,665,000	3,701,139	Citigroup	Semi-annually	06/01/36	135,000
Swap		4.0970%	46,665,000	2,264,256	Goldman Sachs	Semi-annually	06/01/36	135,000
Swap		4.0970%	46,665,000	2,455,131	MSCS	Semi-annually	06/01/36	135,000
Swap		4.0970%	210,005,000	16,661,948	UBS AG	Semi-annually	06/01/36	595,000
Swaption			-	(1,318,678)	Citigroup		06/01/36	
Swaption			-	(5,935,533)	UBS AG		06/01/36	
		Total	350,000,000	17,828,263				
		Grand Total	$ 1,038,285,000	$ 61,758,622				

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

D. USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2008

Transaction Type	Bond Issue	Fixed Rate	Notional Amount	Fair Value (1)	Provider	Settlement Occur	Termination Date	Amortized to
Swap	2001	4.6830%	$ 42,725,000	$ 2,765,749	UBS AG	Semi-annually	06/01/16	$ 3,995,000
Swap		4.0175%	38,210,000	1,447,558	UBS AG	Semi-annually	06/01/16	3,565,000
Cap		6.4000%	4,650,000	(5,749)	UBS AG	05/19/01	06/01/19	1,300,000
		Total	85,585,000	4,207,558				
Swap	2002	4.2005%	53,100,000	2,530,917	J.P. Morgan	Semi-annually	06/01/17	5,100,000
Swap		3.2970%	32,615,000	230,449	J.P. Morgan	Semi-annually	06/01/17	2,760,000
		Total	85,715,000	2,761,366				
Swap	2003	3.1710%	60,750,000	(122,194)	UBS AG	Semi-annually	12/01/18	3,000,000
Swap		3.1710%	60,750,000	(76,578)	Citigroup	Semi-annually	12/01/18	3,000,000
Cap		0.3930%	14,850,000	270,909	UBS AG	Annually	06/01/28	-
		Total	136,350,000	72,137				
Swap	2004	4.1480%	72,125,000	3,260,778	UBS AG	Semi-annually	12/01/19	3,250,000
Swap		4.1480%	72,125,000	3,314,112	Citigroup	Semi-annually	12/01/19	3,250,000
Swaption			-	(474,567)	UBS AG			
Swaption			-	(617,322)	Citigroup			
		Total	144,250,000	5,483,001				
Swap	2005	4.0100%	70,000,000	2,744,983	UBS AG	Semi-annually	06/01/21	3,000,000
Swap		4.0100%	70,000,000	2,826,442	Citigroup	Semi-annually	06/01/21	3,000,000
Swaption			-	(463,805)	UBS AG			
Swaption			-	(545,742)	Citigroup			
		Total	140,000,000	4,561,878				
Swap	2006	4.4750%	72,500,000	5,795,088	UBS AG	Semi-annually	06/01/31	1,000,000
Swap		4.4750%	72,500,000	5,839,675	Citigroup	Semi-annually	06/01/31	1,000,000
Swaption			-	(1,138,229)	UBS AG			
Swaption			-	(1,240,514)	Citigroup			
		Total	145,000,000	9,256,020				
Swap	2007	4.0970%	46,665,000	2,119,723	Citigroup	Semi-annually	06/01/36	135,000
Swap		4.0970%	46,665,000	1,225,598	Goldman Sachs	Semi-annually	06/01/36	135,000
Swap		4.0970%	46,665,000	1,255,412	MSCS	Semi-annually	06/01/36	135,000
Swap		4.0970%	210,005,000	9,418,991	UBS AG	Semi-annually	06/01/36	595,000
Swaption			-	(912,250)	Citigroup			
Swaption			-	(3,780,560)	UBS AG			
		Total	350,000,000	9,326,915				
		Grand Total	$ 1,086,900,000	$ 35,668,874				

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

E. 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, as described in the official statement of each issue. In addition to the assets or funds of the Trust Estate, all bonds issued from 1997 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) is pledged as security for the bonds.

Bonds Outstanding

The following schedules present summarized information relating to the interest rates and future maturities of the bonds outstanding as of June 30, 2009 and 2008:

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2009	Maturity Dates	Bonds Outstanding (in thousands) June 30, 2008	Additions	Reductions	Bonds Outstanding (in thousands) June 30, 2009	Amounts Due within One Year
1991, Series B							
Subordinated Student Loan Revenue Bonds (1)	N/A - See (1), (4)	7/1/2010	$ -	$ -	$ -	$ -	$ -
1992, Series A							
Student Loan Revenue Bonds	See (4)	7/1/2009	-	-	-	-	-
1993, Series A							
Student Loan Revenue Bonds	See (4)	7/1/2010	-	-	-	-	-
1995, Series A							
Student Loan Revenue Bonds	See (4)	7/1/07-7/1/12	-	-	-	-	-
1996, Series A							
Student Loan Revenue Bonds	See (4)	7/1/07-7/1/15	3,170	-	(3,170)	-	-
1997, Series A							
Student Loan Revenue Bonds	See (4)	12/1/07-6/1/16	5,145	-	(5,145)	-	-
1998, Series A							
Serial Student Loan Revenue Bonds	0.77%-0.95%	6/1/08-6/1/17	23,890	-	(2,000)	21,890	2,135
1999, Series A							
Student Loan Revenue Bonds	0.82%-0.86%	6/1/08-6/1/18	18,305	-	(1,325)	16,980	1,420
2000, Series A							
Student Loan Revenue Bonds	0.77%-0.88%	6/1/08-6/1/19	26,625	-	(2,285)	24,340	2,285
2001, Series A through D							
Student Loan Revenue Bonds (2)	0.77%-0.86%	6/1/2036	190,000	-	(60,850)	129,150	-
2002, Series A through D							
Student Loan Revenue Bonds (2)	0.77%-0.91%	6/1/2037	166,000	-	(60,500)	105,500	-
2003, Series A through E							
Student Loan Revenue Bonds (2) (3)	0.82%-0.91%	5/28/2038	187,000	-	(29,400)	157,600	-
2004, Series A through D							
Student Loan Revenue Bonds (2)	0.51%-0.60%	4/1/2039	200,000	-	-	200,000	-
2005, Series A through D							
Student Loan Revenue Bonds (2)	2.94%-14.00% (ARCs)	5/1/2040	225,000	-	(5,450)	219,550	-
2006, Series A through D							
Student Loan Revenue Bonds (2)	2.888%-14.00% (ARCs)	12/1/2040	225,000	-	(5,950)	219,050	-
2007, Series A through D							
Student Loan Revenue Bonds (2)	2.695%-2.853% (ARCs)	12/1/2041	275,000	-	(7,050)	267,950	-
2008, Series A							
Student Loan Revenue Bonds	5.875%-6.125%	6/1/2021, 6/1/2030	-	350,000		350,000	
2009, Series A							
Student Loan Revenue Bonds	3.625%-5.625%	6/1/2013-6/1/2030	-	450,000		450,000	
Totals			$ 1,545,135	$ 800,000	$ (183,125)	$ 2,162,010	$ 5,840

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2008	Maturity Dates	Bonds Outstanding (in thousands) June 30, 2007	Additions	Reductions	Bonds Outstanding (in thousands) June 30, 2008	Amounts Due within One Year
1991, Series B							
Subordinated Student Loan Revenue Bonds (1)	N/A - See (1), (4)	7/1/2010	$ -	$ -	$ -	$ -	$ -
1992, Series A							
Student Loan Revenue Bonds	See (4)	7/1/2009	-	-	-	-	-
1993, Series A							
Student Loan Revenue Bonds	See (4)	7/1/2010	2,100	-	(2,100)	-	-
1995, Series A							
Student Loan Revenue Bonds	See (4)	7/1/07-7/1/12	2,100	-	(2,100)	-	-
1996, Series A							
Student Loan Revenue Bonds	5.80%-6.125%	7/1/07-7/1/15	4,690	-	(1,520)	3,170	380
1997, Series A							
Student Loan Revenue Bonds	5.45%-5.80%	12/1/07-6/1/16	8,245	-	(3,100)	5,145	465
1998, Series A							
Serial Student Loan Revenue Bonds	4.875%-5.30%	6/1/08-6/1/17	28,635	-	(4,745)	23,890	2,000
1999, Series A							
Student Loan Revenue Bonds	4.80%-5.25%	6/1/08-6/1/18	21,720	-	(3,415)	18,305	1,325
2000, Series A							
Student Loan Revenue Bonds	5.75%-6.15%	6/1/08-6/1/19	30,495	-	(3,870)	26,625	2,285
2001, Series A through D							
Student Loan Revenue Bonds (2)	2.958%-14.00% (ARCs)	6/1/2036	190,000	-	-	190,000	-
2002, Series A through D							
Student Loan Revenue Bonds (2)	2.80%-14.00% (ARCs)	6/1/2037	166,000	-	-	166,000	-
2003, Series A through E							
Student Loan Revenue Bonds (2) (3)	2.94%-14.00% (ARCs)	5/28/2038	212,000	-	(25,000)	187,000	-
2004, Series A through D							
Student Loan Revenue Bonds (2)	2.958%-3.15% (ARCs)	4/1/2039	200,000	-	-	200,000	-
2005, Series A through D							
Student Loan Revenue Bonds (2)	2.94%-14.00% (ARCs)	5/1/2040	225,000	-	-	225,000	-
2006, Series A through D							
Student Loan Revenue Bonds (2)	2.888%-14.00% (ARCs)	12/1/2040	225,000	-	-	225,000	-
2007, Series A through D							
Student Loan Revenue Bonds (2)	2.695%-2.853% (ARCs)	12/1/2041	275,000	-	-	275,000	-
Totals			$ 1,590,985	$ -	$ (45,850)	$ 1,545,135	$ 6,455

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

(1) The 1991 Series B Bonds were capital appreciation bonds. The bonds outstanding amount included original principal plus accumulated accretion of the issue price. Interest was not paid on the 1991 Series B Bonds; however, the implied interest rate was 8.14%.

(2) All 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Series A through D Student Loan Revenue Bonds are Auction Rate Certificates ("ARCs"). These Bonds carry floating interest rates. After a uniform initial rate and varying durations by series were set at the issue date, rates are reset every 35 days at a separate auction for each series. The interest rate ranges stated in the table are as of June 30, 2009. Because of the ongoing ARC market failures that began in February 2008, the 2007 bonds are being remarketed every seven days in accordance with the provisions of Auction Rate Procedures contained in the Tenth Supplemental Indenture that governs these bonds.

(3) All 2003 Series E Student Loan Revenue Bonds were Auction Rate Certificates. After the initial rate was set, rates were reset annually. The 2003 Series E Bonds were fully retired through Special Redemption on June 2, 2008.

(4) Bond issue is fully retired.

Extraordinary Redemption Provisions

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

As of June 30, 2009 and 2008, the Authority had redeemed $219,423,935 and $217,548,935, respectively, of bonds from the 1991, 1992, 1993, 1995, 1996, 1997, 1998, 1999 and 2000 Issues under the Extraordinary Redemption from Unexpended Proceeds and the Extraordinary Redemption from Excess Revenues sections of the redemption provisions of each bond issue's indenture.

On June 2, 2008, the Authority redeemed the entire $25,000,000 2003 Series E Bonds outstanding under the Special Redemption section of the redemption provisions of that issue's supplemental indenture.

E. BONDS PAYABLE (CONTINUED)

Optional Redemption Provisions

Each indenture also contains provisions for the optional redemptions of NJCLASS fixed rate bonds. For the 1991 through 2000 Bond Issues, the Authority is precluded from doing optional redemptions for the first ten years of each issue. From the eleventh to thirteenth years, the prices for optional redemptions by the Authority range from 102% to 100% (par) of the face amount, with the premium amounts decreasing to par in annual decrements over this two-year period.

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

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

On June 1, 2009, the Authority redeemed $5,685,000 of its 1996 Series A and 1997 Series A Bonds. These Issues were fully retired as a result of this transaction. No other redemptions under the Optional Redemptions section of the indentures have been made by the Authority.

Scheduled Maturities

Since the inception of the NJCLASS/FFELP Programs in 1991, $53,240,000 of bonds have been redeemed as scheduled maturities under the supplemental indentures applicable to the 1991 through 2000 Bond Issues.

As governed by the indenture for each issue and series for the years 1996 through 2000, mandatory sinking fund redemptions prior to maturity, in part, by lot are required. The amounts of sinking fund redemptions for the fiscal years 2009 through 2013 and thereafter are included in the maturity schedule shown above.

E. BONDS PAYABLE (CONTINUED)

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

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

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

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

Future Maturities and Sinking Fund Requirements

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

Year Ending June 30,	Principal	Interest	Total
2010	$ 5,840,000	$ 99,855,671	$ 105,695,671
2011	6,040,000	99,545,904	105,585,904
2012	4,055,000	99,231,921	103,286,921
2013	13,985,000	98,981,307	112,966,307
2014	15,845,000	98,248,996	114,093,996
2015-2019	167,445,000	470,368,137	637,813,137
2020-2024	232,185,000	416,241,173	648,426,173
2025-2029	81,310,000	371,553,095	452,863,095
2030-2034	336,505,000	276,197,039	612,702,039
2035-2039	592,250,000	226,958,938	819,208,938
2040-2044	706,550,000	47,805,627	754,355,627
Total	$ 2,162,010,000	$ 2,304,987,808	4,466,997,808
Less amount representing interest			2,304,987,808
Net minimum principal payments			$ 2,162,010,000

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Future Maturities and Sinking Fund Requirements (Continued)

HESAA bonds issued between 2001 and 2007 are ARCs, subject to periodic interest rate reset. Interest expense in future years as reflected on this schedule is estimated, based on rates in effect at June 30, 2009, as required by GASB Statement #38, (Certain Financial Statement Note Disclosures).

As a measure to prevent auction failures, on December 17, 2007, HESAA entered into an Eleventh Supplemental Indenture with its Trustee, Wells Fargo Bank, which specified that auction interest rates on these variable rate bonds could be set up to the maximum rate of 14% on the 2001 through 2006 bonds, and 12% on the 2007 bonds through May 31, 2008, without defaulting to the lower of the maximum rate or the index rate multiplied by the Applicable Percentage, as defined in the applicable supplemental indentures. As of June 1, 2008, the interest rate calculations reverted to the method defined in the supplemental indentures for each issue, resulting in application of the lesser of the "All Hold" rate, or the maximum rate to each auction.

Bond Premium and Discount

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

Bond premium	$ 4,843,377
Accumulated amortization	(15,065)
Total unamortized bond premium	$ 4,828,313
Amortization revenue	$ 15,065
Bond discount	$ 868,840
Accumulated amortization	(1,329)
Total unamortized bond discount	$ 867,511
Amortization expense	$ 1,329
Net	$ 3,960,801

E. BONDS PAYABLE (CONTINUED)

Risk of Bond Interest Rate Fluctuations

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

As a result, the variable interest rates experienced during the 2008 Fiscal Year exceeded historical norms, and, consequently, the debt service payments on these bonds exceeded revenues from all sources and caused a decline in the Net Assets of the program for that year. During the 2009 Fiscal Year, these rates became extremely low, which led to a reversal of conditions in the previous year, contributing to the increase in Net Assets over the prior year.

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

In the event that losses caused by excessive bond interest expense result in insufficient cash within the NJCLASS/FFELP Trust to meet its debt service obligations, the Authority's legislation provides for draws on the Debt Service Reserve funds established under the supplemental indentures of each bond issue. The following paragraph describes the degree to which security for the bonds issued under the 1998 indenture is provided through this and other funding sources.

E. BONDS PAYABLE (CONTINUED)

Risk of Bond Interest Rate Fluctuations (Continued)

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

As of June 30, 2009, and the date of the Independent Auditors' Report, amounts available in the debt service reserve funds for each bond issue within the 1998 NJCLASS/FFELP Indenture of Trust, which contains all HESAA ARC bonds, totalled $31,466,245.

Gain on Bond Retirements

Due to market conditions in which investments in ARC bonds could not be resold at par through the auction process, two broker/dealer firms, which were holders of these bonds made offers to HESAA to sell back portions of their holdings at below par. As a result, the Authority repurchased and retired $169,200,000 of its ARC bonds through Special Redemptions, as permitted under the indentures, at prices ranging from 82% to 85% of par, resulting in total gains on retirement of $27,221,500 during the year ended June 30, 2009.

NJCLASS Program Funding-Capital Contributions

During the 2009 fiscal year, a total of approximately $800,000,000 in NJCLASS/FFELP Bonds were issued, due to the delay in issuance of the 2008 Bonds until August 7, 2008, combined with the issuance of the Authority's 2009 Series A Bonds on June 23, 2009. In addition to the par amounts, these issues received capital contributions totalling $27,372,172, including cash contributions from HESAA sources outside the NJCLASS/FFELP Trusts (namely the NJCLASS Life of Loan Servicing Reserve Fund) of $15,097,854, and transfers in of residual assets of fully retired HESAA Bond issues, consisting of NJCLASS loans and accrued interest valued at $4,204,059, as well as cash and investments of $8,070,259. As noted above, the Program also received a net original issue premium of $3,974,537 on the 2009 Series A Bonds. The balances in the Authority's Life of Loan Servicing Reserve Fund will be replenished over time through origination, administrative and servicing fees, collected from the NJCLASS program.

F. ARBITRAGE REBATES

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

The arbitrage rebates are determined and calculated annually based upon the percentage of yield realized on the non-purpose investments compared to the percentage of yield on the tax-exempt bonds and is cumulative over the lives and terms of the applicable bond series. Accordingly, the determined amount for any one-year could be reduced in subsequent years based on changes in yield differentials. The following arbitrage profits were subject to rebate and were included in arbitrage payable on the NJCLASS/FFELP program financial statements:

	June 30,	
	2009	2008
Bond Issue		
1997	$ 3,758	$ -
2000	211,079	115,204
	$ 214,837	$ 115,204

G. CONCENTRATION OF CREDIT RISK

Financial Instruments

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

As of June 30, 2009 and 2008, the liability associated with financial instruments specified in Note A was $3,147,031 and $2,204,371, respectively. This amount is included in accrued interest payable.

In order to enhance the security of these financial instruments, the Authority has included provisions in the contracts that govern these agreements requiring the counterparty to post collateral in the form of negotiable debt obligations of the U.S. Treasury if its long-term senior unsecured debt rating from S&P is withdrawn, suspended or falls to or below “A+”; if its rating from Moody’s is withdrawn, suspended or falls to or below “A1”; or if its rating from Fitch is withdrawn, suspended or falls to or below “A+”.

NOTES TO FINANCIAL STATEMENTS

G. CONCENTRATION OF CREDIT RISK (CONTINUED)

Financial Instruments (Continued)

As an additional safeguard, the Authority has the option to terminate the agreements regarding these financial instruments at any time, subject to the settlement of market value amounts due to the issuer or HESAA at the time of termination.

Student Loans Receivable

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

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the NJCLASS/FFELP Loan Programs (the "Programs") of the New Jersey Higher Education Student Assistance Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated October 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

PENNSYLVANIA OFFICE:
86 BUCK ROAD
HOLLAND, PA 18966
TEL 215-355-4860
FAX 215-825-8110

P.O. Box 7648 • Princeton, NJ 08543-7648 • 609.689.9700 • Fax 609.689.9720
www.mercadien.com

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*

Internal Control over Financial Reporting (Continued)

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

Compliance and Other Matters

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

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

Mercadien, PC
Certified Public Accountants

October 20, 2009

SUPPLEMENTARY INFORMATION

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

COMBINING SCHEDULE OF NET ASSETS
JUNE 30, 2009

Assets	1991 Bond Issue	1992 - 1995 Bond Issues	1996 Bond Issue	1997-A Bond Issue	1998 Bond Issue	1999-A Bond Issue	2000 Bond Issue	2001 Bond Issue	2002 Bond Issue	2003 Bond Issue	2004 Bond Issue	2005 Bond Issue	2006 Bond Issue	2007 Bond Issue	2008 Bond Issue	2009 Bond Issue	2009 Indenture Loan Reserve Fund	Combined Bond Issues
Current Assets																		
Cash and Cash Equivalents	$ -	$ -	$ -	$ -	$ 728,734	$ 530,270	$ 416,186	$ 1,103,404	$ 10,260,840	$ 5,726,270	$ 1,618,713	$ 2,163,657	$ 1,850,332	$ 1,799,070	$ 6,787,604	$ 463,204,602	$ -	$ 496,189,681
Investments	-	-	-	-	757,870	2,075,010	1,047,225	4,003,219	-	3,740,000	24,468,519	14,564,095	16,344,262	7,145,080	86,076,501	-	25,475	160,247,256
NJCLASS Student Loans Receivable	-	-	-	-	2,682,693	1,675,649	1,925,875	4,756,857	4,308,804	6,287,722	5,907,715	3,398,656	3,247,677	3,049,290	1,270,011	1,618,092	-	40,129,043
FFELP Student Loans Receivable	-	-	-	-	-	-	-	6,482,059	4,731,335	1,493,712	757,339	116,294	-	-	-	-	-	13,580,738
Interest Receivable - Investments	-	-	-	-	127	333	210	45	235	720	1,098	170	2,647	1,242	30,340	8,638	-	45,806
Interest Receivable - NJCLASS Student Loans	-	-	-	-	114,427	71,112	119,228	912,712	511,056	1,736,817	2,252,041	3,505,203	3,013,902	3,572,946	6,135,754	43,040	-	21,988,237
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	841,641	376,128	189,728	27,783	56,208	-	-	-	-	-	1,491,488
Due From the General Fund	-	-	-	-	-	-	-	816	-	-	-	-	-	-	-	-	-	816
Due from the Loan Reserve Fund, net of Allowance for Doubtful Accounts of $9,320,347	-	-	-	-	277,086	226,994	489,183	776,485	1,124,660	1,608,103	1,331,178	562,691	976,106	460,318	6,625	-	-	7,839,429
Due from Other Bond Issue Funds	-	-	-	-	10,125,816	4,499,129	8,383,288	(14,624,663)	(19,872,576)	(1,596,121)	9,000,000	(282)	5,479,619	(1,394,209)	-	-	-	-
Due from/to 2009 Bond Issue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,762)	18,762	-
Default Collections Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,489	6,489
Due From Loan Servicing Agents	-	-	-	-	-	-	-	105,766	44,763	35,714	8,102	371	-	-	-	-	-	194,716
Other Receivables	-	-	-	-	-	-	-	(7,270)	16,131	(4,211)	-	480	106	194	-	-	-	5,430
Total Current Assets	-	-	-	-	14,686,753	9,078,497	12,381,195	4,351,071	1,501,375	19,218,455	45,372,488	24,367,544	30,914,650	14,633,930	100,306,835	464,855,610	50,726	741,719,129
Non-Current Assets																		
NJCLASS Student Loans Receivable	-	-	-	-	12,314,290	9,786,006	14,537,561	71,006,625	62,034,220	127,134,791	143,685,173	193,980,418	187,137,769	252,243,003	260,007,615	2,578,235	-	1,336,445,706
FFELP Student Loans Receivable	-	-	-	-	-	-	-	63,039,768	47,243,902	13,443,412	2,971,477	2,410,132	-	-	-	-	-	129,108,691
Bond Issuance Costs - unamortized	-	-	-	-	235,257	193,087	214,865	679,709	607,415	870,092	894,409	1,030,322	1,033,776	1,300,865	-	-	-	7,059,797
Financial Instrument Issuance Costs - unamortized	-	-	-	-	-	-	-	-	168,573	181,450	47,115	48,267	-	-	-	-	-	445,405
Total Non-Current Assets	-	-	-	-	12,549,547	9,979,092	14,752,426	134,726,101	110,054,110	141,629,745	147,598,175	197,469,139	188,171,545	253,543,868	260,007,615	2,578,235	-	1,473,059,599
Total Assets	$ -	$ -	$ -	$ -	$ 27,236,300	$ 19,057,589	$ 27,133,621	$ 139,077,172	$ 111,555,485	$ 160,848,200	$ 192,970,663	$ 221,836,683	$ 219,086,195	$ 268,177,798	$ 360,314,451	$ 467,433,845	$ 50,726	$ 2,214,778,728
Liabilities																		
Current Liabilities																		
Bonds Payable	$ -	$ -	$ -	$ -	$ 2,135,000	$ 1,420,000	$ 2,285,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,840,000
Accrued Interest Payable - Bonds	-	-	-	-	95,052	72,934	121,943	386,902	304,308	515,591	668,714	648,608	662,451	837,688	1,764,545	526,287	-	6,605,022
Fees Payable	-	-	-	-	61,137	19,235	21,384	168,035	161,094	144,636	121,359	126,438	94,886	119,986	290,982	62,768	-	1,391,940
Arbitrage Payable	-	-	-	-	-	-	211,079	-	-	-	-	-	-	-	-	3,758	-	214,837
Due to the Loan Reserve Fund	-	-	-	-	40,942	33,264	45,486	86,417	115,620	111,533	88,315	49,758	19,572	30,401	24,234	-	-	645,542
Total Current Liabilities	-	-	-	-	2,332,130	1,545,433	2,684,892	641,354	581,022	771,760	878,389	824,804	776,909	988,075	2,079,760	592,813	-	14,697,341
Non-current Liabilities																		
Bonds Payable	-	-	-	-	19,755,000	15,560,000	22,055,000	129,150,000	105,500,000	157,600,000	200,000,000	219,550,000	219,050,000	267,950,000	350,000,000	450,000,000	-	2,156,170,000
Premium on Bonds Payable, Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,960,801	-	3,960,801
Total Non-current Liabilities	-	-	-	-	19,755,000	15,560,000	22,055,000	129,150,000	105,500,000	157,600,000	200,000,000	219,550,000	219,050,000	267,950,000	350,000,000	453,960,801	-	2,160,130,801
Total Liabilities	-	-	-	-	22,087,130	17,105,433	24,739,892	129,791,354	106,081,022	158,371,760	200,878,389	220,374,804	219,826,909	268,938,075	352,079,760	454,553,614	-	2,174,828,142
Net Assets																		
Restricted	-	-	-	-	5,149,170	1,952,157	2,393,728	9,285,818	5,474,463	2,476,440	(7,907,726)	1,461,879	(740,714)	(760,277)	8,234,690	12,880,231	50,726	39,950,586
Total Net Assets	-	-	-	-	5,149,170	1,952,157	2,393,728	9,285,818	5,474,463	2,476,440	(7,907,726)	1,461,879	(740,714)	(760,277)	8,234,690	12,880,231	50,726	39,950,586
Total Liabilities & Net Assets	$ -	$ -	$ -	$ -	$ 27,236,300	$ 19,057,589	$ 27,133,621	$ 139,077,172	$ 111,555,485	$ 160,848,200	$ 192,970,663	$ 221,836,683	$ 219,086,195	$ 268,177,798	$ 360,314,451	$ 467,433,845	$ 50,726	$ 2,214,778,728

Note: Differences of $1-2 are due to rounding.

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

COMBINING SCHEDULE OF NET ASSETS
JUNE 30, 2008

	1991 Bond Issue	1992 Bond Issue	1993 Bond Issue	1995 Bond Issue	1996 Bond Issue	1997-A Bond Issue	1998 Bond Issue	1999-A Bond Issue	2000 Bond Issue	2001 Bond Issue	2002 Bond Issue	2003 Bond Issue	2004 Bond Issue	2005 Bond Issue	2006 Bond Issue	2007 Bond Issue	Combined Bond Issues
Assets																	
Current Assets																	
Cash and Cash Equivalents	$ 2,693,321	$ 3,642,018	$ 1,194,012	$ 634,730	$ 326,690	$ 152,655	$ 606,356	$ 350,766	$ 470,585	$ 749,653	$ 46,556,808	$ 2,811,020	$ 2,683,716	$ 5,306,509	$ 2,649,708	$ 2,657,541	$ 73,486,089
Investments	-	-	-	-	2,076,823	2,971,328	8,372,839	5,219,502	7,664,959	42,326,203	-	17,920,572	39,814,762	66,123,516	48,678,807	26,995,323	268,164,635
NJCLASS Student Loans Receivable	18,237	119,745	503,893	387,302	542,336	897,379	4,193,005	2,735,988	3,897,844	5,911,127	3,284,058	2,906,375	2,892,175	2,975,293	3,393,649	4,900,383	39,558,789
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	6,919,600	3,904,420	1,321,557	913,920	425,238	-	-	13,484,735
Interest Receivable - Investments	4,239	5,539	1,763	897	483	16,254	1,880	1,141	2,002	4,987	72,906	38,903	19,379	8,474	95,637	59,319	333,803
Interest Receivable - NJCLASS Student Loans	6,115	9,019	5,149	6,864	10,059	17,329	150,504	93,152	157,211	1,141,252	643,193	2,083,123	2,390,726	2,467,700	2,822,859	3,591,457	15,595,711
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	882,119	483,868	245,620	52,093	62,038	-	-	1,725,738
Due From the General Fund	-	-	-	-	-	-	-	-	-	6,733	-	-	-	-	-	-	6,733
Due from the Loan Reserve Fund, net of Allowance for Doubtful Accounts of $5,322,994	2,405	77,918	96,048	85,966	39,670	141,918	174,909	113,144	248,280	340,087	569,562	956,084	688,599	209,303	167,173	1,000	3,912,063
Due from Other Bond Issue Funds	-	-	-	-	-	-	-	-	-	-	6,850,000	-	-	-	-	(6,850,000)	-
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	100,274	48,803	14,034	8,144	88	-	-	171,342
Total Current Assets	2,724,318	3,854,239	1,800,864	1,115,759	2,996,061	4,196,864	13,499,493	8,513,692	12,440,881	58,382,035	62,413,618	28,297,288	49,463,513	77,578,158	57,807,834	31,355,022	416,439,636
Non-Current Assets																	
NJCLASS Student Loans Receivable	-	-	-	577,012	1,224,957	2,369,245	15,168,946	11,569,643	16,627,749	78,533,538	62,397,109	142,412,393	141,716,556	145,789,336	166,288,823	240,118,760	1,024,794,067
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	54,967,729	39,478,029	15,197,906	3,896,183	1,937,194	-	-	115,477,041
Bond Issuance Costs - unamortized	-	-	-	(0)	43,403	121,883	294,892	232,836	265,702	704,940	629,158	900,164	924,450	1,063,711	1,066,652	1,340,961	7,588,753
Financial Instrument Issuance Costs - unamortized	-	-	-	-	-	-	-	-	-	-	189,651	200,447	51,638	52,317	-	-	494,053
Total Non-Current Assets	-	-	-	577,012	1,268,361	2,491,128	15,463,839	11,802,479	16,893,451	134,206,207	102,693,947	158,710,910	146,588,828	148,842,558	167,355,475	241,459,721	1,148,353,914
Total Assets	$ 2,724,318	$ 3,854,239	$ 1,800,864	$ 1,692,771	$ 4,264,421	$ 6,687,991	$ 28,963,331	$ 20,316,171	$ 29,334,332	$192,588,241	$165,107,565	$187,008,198	$196,052,341	$226,420,716	$225,163,309	$272,814,743	$ 1,564,793,551
Liabilities																	
Current Liabilities																	
Bonds Payable	$ -	$ -	$ -	$ -	$ 380,000	$ 465,000	$ 2,000,000	$ 1,325,000	$ 2,285,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,455,000
Accrued Interest Payable - Bonds	-	-	-	-	95,841	24,705	110,557	81,230	141,656	1,954,739	1,651,571	1,474,549	1,853,551	1,907,850	2,031,573	1,348,793	12,676,616
Fees Payable	2,748	1,103	2,076	2,160	4,268	7,179	26,448	15,813	16,537	161,135	147,908	147,820	113,282	116,932	84,758	239,729	1,089,893
Arbitrage Payable	-	-	-	-	-	-	-	-	115,204	-	-	-	-	-	-	-	115,204
Due to the Loan Reserve Fund	1,404	1,295	1,353	1,671	11,158	19,005	31,203	5,472	8,324	19,590	10,088	17,969	33,940	17,463	356	51,124	231,415
Total Current Liabilities	4,152	2,397	3,429	3,831	491,266	515,889	2,168,207	1,427,515	2,566,721	2,135,464	1,809,567	1,640,338	2,000,773	2,042,244	2,116,687	1,639,647	20,568,128
Non-current Liabilities																	
Bonds Payable	-	-	-	-	2,790,000	4,680,000	21,890,000	16,980,000	24,340,000	190,000,000	166,000,000	187,000,000	200,000,000	225,000,000	225,000,000	275,000,000	1,538,680,000
Total Non-current Liabilities	-	-	-	-	2,790,000	4,680,000	21,890,000	16,980,000	24,340,000	190,000,000	166,000,000	187,000,000	200,000,000	225,000,000	225,000,000	275,000,000	1,538,680,000
Total Liabilities	4,152	2,397	3,429	3,831	3,281,266	5,195,889	24,058,207	18,407,515	26,906,721	192,135,464	167,809,567	188,640,338	202,000,773	227,042,244	227,116,687	276,639,647	1,559,248,128
Net Assets																	
Restricted	2,720,165	3,851,842	1,797,435	1,688,941	983,155	1,492,102	4,905,124	1,908,656	2,427,611	452,777	(2,702,002)	(1,632,140)	(5,948,432)	(621,528)	(1,953,378)	(3,824,904)	5,545,424
Total Net Assets	2,720,165	3,851,842	1,797,435	1,688,941	983,155	1,492,102	4,905,124	1,908,656	2,427,611	452,777	(2,702,002)	(1,632,140)	(5,948,432)	(621,528)	(1,953,378)	(3,824,904)	5,545,424
Total Liabilities & Net Assets	$ 2,724,318	$ 3,854,239	$ 1,800,864	$ 1,692,771	$ 4,264,421	$ 6,687,991	$ 28,963,331	$ 20,316,171	$ 29,334,332	$192,588,241	$165,107,565	$187,008,198	$196,052,341	$226,420,716	$225,163,309	$272,814,743	$ 1,564,793,551

Note: Differences of $1-2 are due to rounding.

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

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

	1991 Bond Issue	1992 - 1995 Bond Issues	1996 Bond Issue	1997-A Bond Issue	1998 Bond Issue	1999-A Bond Issue	2000 Bond Issue	2001 Bond Issue	2002 Bond Issue	2003 Bond Issue	2004 Bond Issue	2005 Bond Issue	2006 Bond Issue	2007 Bond Issue	2008 Bond Issue	2009 Bond Issue	2009 Indenture Loan Reserve Fund	Combined Bond Issues
Operating Revenues																		
Interest Income																		
NJCLASS Student Loans	$ 1,303	$ 98,841	$ 111,810	$ 216,267	$ 1,313,168	$ 966,905	$ 1,474,783	$ 5,139,067	$ 4,019,971	$ 8,316,033	$ 9,434,422	$ 11,995,573	$ 12,204,945	$ 16,332,551	$ 12,545,281	$ 13,199	$ -	$ 84,184,118
FFELP Student Loans	-	-	-	-	-	-	-	3,608,969	2,057,750	823,458	224,451	85,434	-	-	-	-	-	6,800,063
Application/Administrative Fee Income	-	-	-	-	-	-	-	1,436	89,408	1,834	295,668	1,067,861	535,117	233,250	5,284,055	2,732	-	7,511,360
Loan Reserve Fee Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,366	1,366
Total Operating Revenues	1,303	98,841	111,810	216,267	1,313,168	966,905	1,474,783	8,749,472	6,167,129	9,141,325	9,954,541	13,148,868	12,740,062	16,565,801	17,829,337	15,931	1,366	98,496,908
Operating Expenses																		
Loan Servicing Fees																		
NJCLASS Student Loans	333	33,706	23,748	39,266	230,473	162,277	166,290	426,139	349,677	682,408	687,453	1,115,158	982,286	1,013,331	4,758,179	7,707	-	10,678,431
FFELP Student Loans	-	-	-	-	-	-	-	1,376,275	960,696	321,702	68,004	27,844	-	-	-	-	-	2,754,521
Total Fees Paid to Servicing Agents	333	33,706	23,748	39,266	230,473	162,277	166,290	1,802,414	1,310,372	1,004,110	755,457	1,143,002	982,286	1,013,331	4,758,179	7,707	-	13,432,952
Program Expenses																		
Annual Insurance Expense	-	-	-	-	17,512	13,000	18,000	83,948	68,577	138,845	145,000	155,593	157,168	191,783	315,000	-	-	1,304,425
Transaction Fees	-	-	-	-	-	-	-	282,032	235,932	291,293	320,000	356,197	357,959	432,156	-	-	-	2,275,569
Bad Debt Expense	-	-	-	-	61,248	96,444	201,008	401,961	464,047	446,045	527,081	348,303	905,013	546,203	-	-	-	3,997,353
Default Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,991	6,991
Other Program Expenses	-	-	-	-	-	-	-	719	89,408	826	147,826	534,078	267,298	168,761	2,642,108	1,366	-	3,852,390
Total Program Expenses	-	-	-	-	78,760	109,444	219,008	768,659	857,964	877,009	1,139,907	1,394,171	1,687,438	1,338,903	2,957,108	1,366	6,991	11,436,727
Bond Interest Expense	-	-	153,750	222,737	1,222,615	930,511	1,574,994	7,705,371	6,116,677	7,886,332	10,549,764	10,203,598	10,374,339	12,474,376	19,057,084	512,551	-	88,984,698
Total Operating Expenses	333	33,706	177,498	262,002	1,531,848	1,202,233	1,960,291	10,276,445	8,285,013	9,767,451	12,445,128	12,740,771	13,044,064	14,826,610	26,772,370	521,624	6,991	113,854,377
Operating (Loss) Income	969	65,135	(65,688)	(45,736)	(218,680)	(235,327)	(485,509)	(1,526,973)	(2,117,884)	(626,126)	(2,490,588)	408,098	(304,002)	1,739,192	(8,943,034)	(505,693)	(5,625)	(15,357,470)
Non-Operating Revenues (Expenses)																		
Income on Investments	21,564	45,928	112,153	25,512	522,361	318,577	598,337	552,745	369,670	351,968	565,858	786,250	638,042	267,031	3,177,724	8,638	-	8,362,359
NJCLASS/FFELP Program Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,000,000	1,097,854	-	15,097,854
Gain on Bond Retirement	-	-	-	-	-	-	-	9,832,500	9,967,500	4,485,000	-	926,500	911,500	1,098,500	-	-	-	27,221,500
Miscellaneous Income (Expense)	-	(245,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,350	(188,650)
Amortization of Bond Issuance Cost	-	-	(43,403)	(121,883)	(59,635)	(39,750)	(50,837)	(25,231)	(21,742)	(30,071)	(30,041)	(33,390)	(32,877)	(40,096)	-	-	-	(528,956)
Amortization of Financial Instrument Issuance Costs	-	-	-	-	-	-	-	-	(21,079)	(72,191)	(4,523)	(4,050)	-	-	-	-	-	(101,842)
Arbitrage Expense	-	-	-	(3,758)	-	-	(95,875)	-	-	-	-	-	-	-	-	-	-	(99,632)
Total Non-Operating Revenues	21,564	(199,072)	68,749	(100,128)	462,726	278,828	451,626	10,360,014	10,294,349	4,734,705	531,294	1,675,310	1,516,666	1,325,435	17,177,724	1,106,492	56,350	49,762,632
Change in Net Assets	22,533	(133,937)	3,061	(145,864)	244,046	43,501	(33,883)	8,833,041	8,176,465	4,108,580	(1,959,294)	2,083,408	1,212,664	3,064,627	8,234,690	600,799	50,726	34,405,162
Net Assets (Deficit), beginning of year	2,720,165	7,338,217	983,155	1,492,102	4,905,124	1,908,656	2,427,611	452,777	(2,702,002)	(1,632,140)	(5,948,432)	(621,528)	(1,953,378)	(3,824,904)	-	-	-	5,545,424
Transfer to 2009 Bond Issue	(2,742,698)	(7,204,280)	(986,216)	(1,346,238)	-	-	-	-	-	-	-	-	-	-	-	12,279,432	-	-
Net Assets (Deficit), end of year	$ -	$ -	$ -	$ -	$ 5,149,170	$ 1,952,157	$ 2,393,728	$ 9,285,818	$ 5,474,463	$ 2,476,440	$ (7,907,726)	$ 1,461,879	$ (740,714)	$ (760,277)	$ 8,234,690	$ 12,880,231	$ 50,726	$ 39,950,586

Note: Differences of $1-$2 are due to rounding.

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

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

	1991 Bond Issue	1992 Bond Issue	1993 Bond Issue	1995 Bond Issue	1996 Bond Issue	1997-A Bond Issue	1998 Bond Issue	1999-A Bond Issue	2000 Bond Issue	2001 Bond Issue	2002 Bond Issue	2003 Bond Issue	2004 Bond Issue	2005 Bond Issue	2006 Bond Issue	2007 Bond Issue	Combined Bond Issues
Operating Revenues																	
Interest Income																	
NJCLASS Student Loans	$ 4,660	$ 31,850	$ 61,663	$ 106,288	$ 182,444	$ 300,559	$ 1,645,987	$ 1,164,879	$ 1,754,412	$ 5,310,011	$ 4,397,877	$ 8,233,833	$ 8,634,374	$ 9,214,326	$11,131,766	$ 8,984,671	$ 61,159,601
FFELP Student Loans	-	-	-	-	-	-	-	-	-	4,174,314	2,840,638	1,168,688	444,256	127,342	-	-	8,755,238
Application/Administrative Fee Income	-	-	-	-	-	-	-	-	-	333,966	(161)	863,634	695,289	495,094	46,148	4,689,070	7,123,040
Total Operating Revenues	4,660	31,850	61,663	106,288	182,444	300,559	1,645,987	1,164,879	1,754,412	9,818,291	7,238,354	10,266,155	9,773,919	9,836,762	11,177,914	13,673,741	77,037,878
Operating Expenses																	
Loan Servicing Fees																	
NJCLASS Student Loans	1,662	15,507	25,312	25,971	32,809	52,859	274,604	189,338	192,805	609,774	376,798	1,131,021	854,162	769,863	655,006	2,826,496	8,033,987
FFELP Student Loans	-	-	-	-	-	-	-	-	-	1,252,141	822,745	351,316	84,097	32,983	-	-	2,543,282
Total Fees Paid to Servicing Agents	1,662	15,507	25,312	25,971	32,809	52,859	274,604	189,338	192,805	1,861,915	1,199,543	1,482,337	938,259	802,846	655,006	2,826,496	10,577,269
Program Expenses																	
Annual Insurance Expense	-	-	-	-	-	5,000	19,112	14,000	19,000	123,500	107,900	159,002	145,000	157,500	157,500	98,750	1,006,264
Transaction Fees	-	-	-	-	-	-	-	-	-	313,500	265,600	335,978	320,000	360,000	360,000	445,990	2,401,068
Bad Debt Expense	-	(13,700)	(26,200)	(19,200)	(31,800)	(47,000)	30,961	(14,842)	166,677	95,387	375,299	834,756	788,803	252,850	256,468	1,535	2,649,994
Other Program Expenses	-	-	-	-	-	-	-	-	-	166,941	(27)	431,962	347,595	247,297	37,890	2,490,748	3,722,405
Total Program Expenses	-	(13,700)	(26,200)	(19,200)	(31,800)	(42,000)	50,073	(842)	185,677	699,328	748,772	1,761,698	1,601,398	1,017,647	811,858	3,037,023	9,779,730
Bond Interest Expense	-	-	38,094	44,274	247,246	411,703	1,383,949	1,026,664	1,746,217	15,545,453	12,938,473	15,031,544	16,611,048	18,391,039	18,131,750	18,977,287	120,524,740
Total Operating Expenses	1,662	1,807	37,206	51,045	248,254	422,562	1,708,626	1,215,159	2,124,699	18,106,695	14,886,787	18,275,580	19,150,705	20,211,532	19,598,614	24,840,806	140,881,739
Operating (Loss) Income	2,998	30,043	24,457	55,243	(65,810)	(122,003)	(62,638)	(50,280)	(370,287)	(8,288,404)	(7,648,433)	(8,009,424)	(9,376,786)	(10,374,770)	(8,420,700)	(11,167,065)	(63,843,861)
Non-Operating Revenues (Expenses)																	
Income on Investments	96,544	129,330	67,015	58,603	155,989	271,771	491,149	295,073	566,796	2,371,970	2,154,556	2,399,921	2,322,146	3,537,383	2,267,941	6,404,168	23,590,357
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	59,558	478,939	-	538,497
Amortization of Interest Rate Cap	-	-	-	-	-	-	-	-	-	-	-	(74,964)	-	-	-	-	(74,964)
Amortization of Bond Issuance Cost	-	-	(27,294)	(27,299)	(9,991)	(29,357)	(67,291)	(42,682)	(56,194)	(25,300)	(21,802)	(30,154)	(30,124)	(33,481)	(32,967)	(40,206)	(474,140)
Amortization of Swap Fees	-	-	-	-	-	-	-	-	-	-	(21,137)	(3,677)	(4,535)	(4,061)	-	-	(33,409)
Arbitrage Expense	-	-	-	(61,275)	-	-	147,095	-	-	-	-	-	-	-	-	-	85,820
Total Non-Operating Revenues	96,544	129,330	39,721	(29,971)	145,998	242,415	570,952	252,391	510,603	2,346,670	2,111,618	2,291,127	2,287,487	3,559,399	2,713,913	6,363,963	23,632,161
Change in Net Assets	99,543	159,373	64,178	25,272	80,188	120,411	508,314	202,111	140,315	(5,941,733)	(5,536,815)	(5,718,297)	(7,089,298)	(6,815,371)	(5,706,787)	(4,803,102)	(40,211,700)
Net Assets (Deficit), beginning of year	2,620,623	3,692,469	1,733,257	1,663,668	902,967	1,371,691	4,396,810	1,706,545	2,287,296	6,394,511	2,834,813	4,086,158	1,140,866	6,193,843	3,753,409	978,199	45,757,123
Net Assets (Deficit), end of year	$2,720,165	$3,851,842	$1,797,435	$1,688,941	$983,155	$1,492,102	$4,905,124	$1,908,656	$2,427,611	$ 452,777	$(2,702,002)	$ (1,632,140)	$ (5,948,432)	$ (621,528)	$(1,953,378)	$ (3,824,904)	$ 5,545,424

Note: Differences of $1-$2 are due to rounding