

**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY**

OTHER HESAA PROGRAMS AND FUNDS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of certain fiduciary-type activities of the New Jersey Higher Education Student Assistance Authority (the Authority) Other HESAA Programs and Funds (the Funds), which comprise the statements of fiduciary net position as of June 30, 2018 and 2017, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of New Jersey Higher Education Student Assistance Authority Other HESAA Programs and Funds as of June 30, 2018 and 2017, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements present only the fiduciary-type activities of Other HESAA Programs and Funds of the Authority and do not purport to, and do not present the financial position of the Authority as a whole as of June 30, 2018 and 2017, and its changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements of the Funds, taken as a whole. The supplementary information as listed in the table of contents as of and for the years ended June 30, 2018 and 2017 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Board Members
New Jersey Higher Education Student Assistance Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Program's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Mt. Laurel, New Jersey
October 22, 2018

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

As the financial management of the Other HESAA Programs and Funds (the Funds) of the New Jersey Higher Education Student Assistance Authority (the Authority or HESAA), we offer readers of these financial statements this discussion and analysis of the financial activities of the Funds for the fiscal years ending June 30, 2018, 2017, and 2016. This narrative is designed to assist the reader in focusing on the significant financial issues and activities. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

These separate audited financial statements have been produced for the Funds in compliance with State of New Jersey Executive Orders #122 and #37, which are more fully described in Note 1 to the Financial Statements.

The largest portions of HESAA's financial activities involve its roles as the administrative agency for the State sponsored NJBEST 529 College Savings Program, as the lender under the New Jersey College Loans to Assist State Students (NJCLASS) Program, and its role as New Jersey State Guarantor for the Federal Family Education Loan Program (FFELP). All of these programs are referenced in these financial statements and all amounts earned through these programs are restricted for use by the respective programs in accordance federal or state regulations and legal agreements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Funds' financial statements, which are comprised of the combined fiduciary financial statements, the notes to the financial statements, and the supplementary combining schedules.

The Funds are engaged only in various fiduciary-type activities on behalf of the Authority and, accordingly, only the financial statements required for fiduciary funds are presented. More detailed information concerning the financial statement presentation is contained in Note 1 to the financial statements.

Fiduciary Financial Statements

These fiduciary financial statements are designed to provide the reader with a broad overview of the entity's finances, in a manner similar to a private-sector business.

The statements of fiduciary net position present information on all of the Funds' assets and liabilities, with the difference between the two reported as fiduciary net position.

The statements of changes in fiduciary net position present information showing how the Funds' net position changed during the fiscal year. All changes in fiduciary net position are reported as the underlying events occur, regardless of timing of related cash flows. Thus, additions and deductions are reported in these statements for some items that will only result in cash flows in future fiscal periods.

Over time, increases and decreases in fiduciary net position may serve as a useful indicator of whether the financial position of the Funds is improving or deteriorating. Fiduciary net position increases when additions exceed deductions. Increases to assets without corresponding increases to liabilities results in increased fiduciary net position, which indicates an improved financial position.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Highlights and Analysis

Complete financial data for each of the funds included in the financial statements of the HESAA Other Programs and Funds is presented in the supplemental schedules, combining schedules of fiduciary net position, and combining schedules of changes in fiduciary net position.

The Funds' total assets of \$57,514,854, \$38,896,431, and \$33,215,451 at June 30, 2018, 2017, and 2016, respectively, consist principally of amounts invested in the New Jersey Cash Management Fund.

The NJBEST Administrative Fund had \$42,137,120, \$25,421,951, and \$19,919,758 at June 30, 2018, 2017, and 2016, respectively, invested in the New Jersey Cash Management Fund. The NJBEST Administrative Fund is restricted to pay for future scholarship obligations of the NJBEST program and program expenses not covered by the program manager for the NJBEST Trust, Franklin Templeton Investments. The increase in the cash balance during the 2018 Fiscal Year is due in part to receipts from fee income of approximately \$4,819,446; principal and interest payments from the Life of Loan Servicing Fund of approximately \$12,663,000; investment income earned on the New Jersey Cash Management Fund account of approximately \$384,000 which was offset in part by program expenses of \$1,125,000. The increase in the cash balance during the 2017 Fiscal Year is due in part to receipts from fee income of approximately \$4,336,000; principal and interest payments from the Life of Loan Servicing Fund of approximately \$1,873,000; investment income earned on the New Jersey Cash Management Fund account of approximately \$138,000 which was offset in part by program expenses of \$845,000. Contribution to the Series 2012-1, 2014-1 and 2015-1 Bond Issues were being repaid, with interest, from the NJCLASS Life of Loan Servicing Reserve Fund. The loan relating to the 2015-1 bond issue contribution was paid in full in March 2018 while the other two loans were paid in full in June 2018. The 2015-1 Bond Issue was repaid from parity releases from the 2010 FFELP Bonds while the other two loans were paid from the excess parity release from the Series 2010-1, 2010-2 and 2012-1 Bond Issues.

The Life of Loan Servicing Reserve Fund had \$12,087,225, \$8,148,679, and \$10,490,882 at June 30, 2018, 2017, and 2016, respectively, invested in the New Jersey Cash Management Fund, which is used to invest the accumulated restricted net position from administration of the NJCLASS Loan Program. The decrease in the cash balance during the 2018 Fiscal Year was due primarily to payments of \$1,753,552 in closing costs and a capital contribution of \$1,200,000 for the 2018-1 Bond Issue. The decrease in the cash balance during the 2017 Fiscal Year was due primarily to payments of \$1,926,500 in closing costs and a capital contribution of \$817,845 for the 2017-1 Bond Issue. The increase in the cash balance during the 2016 Fiscal Year was due primarily to the receipt of other income of \$9,712,675 from a refund of excess expenses incurred in a prior year related to a bond issue, offset in part by payments of \$1,382,000 in closing costs and a capital contribution of \$2,500,000 for the 2016-1 Bond Issue. This amount is restricted for payment of future NJCLASS administrative and servicing expenses, including funding of bond issue overcollateralization requirements, for which the Authority is responsible under the terms of the NJCLASS/FFELP bond indentures.

At June 30, 2018, 2017, and 2016, the Funds' liabilities totalled \$45,986,924, \$49,276,443, and \$48,382,066, respectively, and consisted primarily of amounts due to HESAA programs not represented on these financial statements. The largest liabilities in all three periods were the net amounts due to the NJCLASS/FFELP Bond Trusts from the NJCLASS Loan Reserve Fund for payment of default claims. At June 30, 2018, 2017, and 2016, this net liability totalled \$42,237,524, \$44,321,452, and \$45,913,379, respectively. However, it is expected that the liabilities of the NJCLASS Loan Reserve Fund to the NJCLASS/FFELP bond trusts will be significantly reduced over time as a result of HESAA's ongoing collection activities on defaulted NJCLASS loans.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Highlights and Analysis (Continued)

At June 30, 2018, assets exceeded liabilities by \$11,527,930 as compared to June 30, 2017 and 2016 where liabilities exceeded assets by \$10,380,012 and \$15,166,614, respectively. The increase in net position at June 30, 2018 as compared to June 30, 2017 was due primarily to increases in net position of the NJBEST Administrative Fund, the NJCLASS Loan Reserve Fund, and the NJCLASS Life of Loan Servicing Reserve Fund. The increase in net position at June 30, 2017 as compared to June 30, 2016 was due primarily to increases in net position of the NJBEST Administrative Fund and the NJCLASS Loan Reserve Fund offset in part by a decrease in net position of the NJCLASS Life of Loan Servicing Reserve Fund. The increase in net position at June 30, 2016 as compared to June 30, 2015 was due primarily to increases in net position in the NJCLASS Life of Loan Servicing Reserve Fund, the NJBEST Administrative Fund, and the NJ CLASS Loan Reserve Fund. The net position balance is restricted in accordance with the Federal Higher Education Act, related U.S. Department of Education regulations, the terms of the NJCLASS/FFELP bond indentures, and other State laws and regulations regarding the permissible uses of funds reported within these Financial Statements.

Total additions to the Funds for the fiscal years ended June 30, 2018, 2017, and 2016 were \$60,118,239, \$46,013,482, and \$51,392,574, respectively. The largest source of collections was on defaulted FFELP and NJCLASS student loans, which totalled \$36,318,919 (60%), \$39,200,892 (85%), and \$33,800,963 (66%), for the fiscal years ended June 30, 2018, 2017, and 2016, respectively. These accounts serve solely as conduit clearing accounts for the Authority's Guaranty Agency Operating Trust Fund, the Federal Student Loan Reserve Trust Fund, and the NJCLASS/FFELP Bond Indenture Loan Reserve Funds. Amounts collected in connection with HESAA's role as the New Jersey FFELP Guaranty Agency and the NJCLASS/FFELP Loan Programs are restricted for use by these programs in accordance with the Federal Higher Education Act, related U.S. Department of Education regulations, and the terms of the NJCLASS/FFELP bond indentures.

The Federal Collections Escrow is the conduit for receipts of defaulted FFELP student loan payments, established in accordance with FFELP regulations requiring the prompt investment of funds. As such, receipts are subsequently transferred out to the related trust funds. In fiscal years 2018, 2017, and 2016, \$32,292,960, \$34,622,763, and \$28,297,620, respectively, was recorded, representing the transfer of the collections received to the two HESAA/FFELP Trust Funds, as required by the FFELP regulations promulgated by the U.S. Department of Education.

Additions to income during 2018 include an excess parity release of \$20 Million from the Series 2010-1, 2010-2 and the 2012-1 Bond Issues received in the Life of Loan Servicing Reserve Fund.

The next largest source of collections, fee income, consists of restricted receipts earned by HESAA from the administration and servicing of the NJCLASS Loan Program, administrative fees of the NJBEST 529 College Savings Plan and revenue from the Direct Loan Servicing Fund. Total net fee receipts for the fiscal years ended June 30, 2018, 2017, and 2016 were \$5,022,212 (12%), \$5,214,675 (11%), and \$6,102,414 (12%), respectively, of total additions in the respective years. All fees are reserved for funding current and future administrative expenses of the respective programs, including reserves for funding the NJBEST Scholarship Program, reimbursing the HESAA bond issues for NJCLASS defaulted loans, and providing a source of capital to support the parity of NJCLASS Bond Issues at the date of issuance, subject to later reimbursement from fee revenues and/or excess bond parity.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Financial Highlights and Analysis (Continued)

During 2018, 2017, and 2016, the NJCLASS Life of Loan Servicing Fund received Parity Release income from the 2010-FFELP Bond Issue totaling \$1,012,384 (2%), \$1,380,028 (3%), and \$1,686,724 (3%), respectively, of total additions in the respective years. Future releases will be used to repay the NJBEST Administrative Fund for the 2015-1 Bond Issue capital contributions.

The NJCLASS Loan Reserve Fund was established to reimburse the NJCLASS Loan Program Bond Funds when student loan defaults occur in the 2008 and earlier Indentures. The NJCLASS Loan Reserve Fund recorded default expense of \$1,836,326, \$2,983,399, and \$4,232,403 for the years ended June 30, 2018, 2017, and 2016, respectively, representing amounts paid and accrued for this purpose during the year.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the auditors' reports regarding internal controls and compliance with certain provisions of laws, regulations, and agreements.

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

FINANCIAL STATEMENTS

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash	\$ 249,832	\$ 254,807
New Jersey Cash Management Fund	55,711,805	36,936,674
Fees Receivable	425,808	416,309
Due from NJCLASS/FFELP Loan Program	827,863	1,151,371
Default Collections Receivable	299,546	137,270
Total Assets	\$ 57,514,854	\$ 38,896,431
LIABILITIES AND NET POSITION		
LIABILITIES		
Accrued Expenses	\$ 187,135	\$ 54,487
Due to NJCLASS/FFELP Loan Program	42,237,524	44,321,452
Due to NJCLASS Administrative Fund	2,972,223	2,111,317
Due to Guaranty Agency Trust Fund	590,042	2,789,187
Total Liabilities	45,986,924	49,276,443
NET POSITION	11,527,930	(10,380,012)
Total Liabilities and Net Position	\$ 57,514,854	\$ 38,896,431

See accompanying Notes to Financial Statements.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS		
Trust Receipts:		
Defaulted FFELP Loan Receipts	\$ 32,364,298	\$ 34,677,469
Fee Income	5,022,212	5,214,675
Defaulted NJCLASS Loan Receipts	3,954,611	4,523,423
Total Trust Receipts	<u>41,341,121</u>	<u>44,415,567</u>
Parity Release Income	1,012,384	1,380,028
Excess Parity Release Income	20,000,000	-
Income on Investments	565,457	217,887
Total Revenues	<u>62,918,962</u>	<u>46,013,482</u>
DEDUCTIONS		
Transfers to Guaranty Agency Trust Funds	32,292,960	34,622,763
Transfers to NJCLASS Administrative Fund	2,800,723	-
NJCLASS Defaulted Loans Expense	1,836,326	2,983,399
NJCLASS Bond Issue Closing Costs	1,753,552	1,926,500
Capital Contributions to NJCLASS/FFELP Bond Issue	1,200,000	817,845
Program Expense	1,125,000	845,000
Administrative Expense (Income), Net	2,459	31,373
Total Expenses	<u>41,011,020</u>	<u>41,226,880</u>
CHANGES IN NET POSITION	21,907,942	4,786,602
Net Position – Beginning of Year	<u>(10,380,012)</u>	<u>(15,166,614)</u>
NET POSITION – END OF YEAR	<u>\$ 11,527,930</u>	<u>\$ (10,380,012)</u>

See accompanying Notes to Financial Statements.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Authority

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

The Authority was established by State legislation in 1999, to provide students and families with the financial and informational resources for students to pursue their educations beyond high school. Prior to this act, the New Jersey Higher Education Student Assistance Authority, created by legislation in 1959, served as lender and guarantor of federally guaranteed student loans for New Jersey students.

Nature of Other HESAA Programs and Funds Reporting Entity

The funds and accounts included in the accompanying financial statements were established by HESAA in accordance with legal, regulatory, and operational requirements of its programs, to enable it to fulfill its mission. Amounts reported in these financial statements are "off-system," meaning they are not recorded on the New Jersey Comprehensive Financial System. However, all funds included or referenced in these financial statements, along with funds included in other audited financial statements that report other components of the Authority, are also included in the consolidated HESAA financial information reported in the combining statements of net position and revenues and expenses of nonmajor component units - authorities within the New Jersey Comprehensive Annual Financial Report. These financial statements present only the fiduciary-type activities of the Other HESAA Programs and Funds of the Authority and do not purport to, and do not present the financial position of the Authority as a whole as of June 30, 2018 and 2017, or its changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Executive Orders #122 and #37

This financial report on "Other HESAA Programs and Funds" provides audited financial statements of all HESAA funds and accounts not already included in other audited financial statement reports containing data on Authority Programs. The purpose is to ensure full compliance with the requirements of State of New Jersey Executive Orders #122 and #37, which require an audit of the financial statements of each Authority by a certified public accounting firm in compliance with generally accepted government auditing standards issued by the Comptroller General of the United States.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to the point at which receipts and disbursements are recognized in the accounts and reported in the financial statements. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America applicable to governmental fiduciary-type funds. Receipts are recognized when earned, and expenditures are recognized when incurred. The specific fund types included within the general classification of fiduciary funds are defined by their purposes. Those included in these financial statements are *private-purpose trust funds*, which are used to report trust arrangements in which principal and income benefit individuals and other private or governmental organizations. The fiduciary funds and accounts included within this financial report are classified as follows:

<u>Fund Name</u>	<u>Type</u>
Federal Collections - Escrow	Private Purpose Trust Fund
NJCLASS Loan Reserve Fund	Private Purpose Trust Fund
NJBEST Administrative Fund	Private Purpose Trust Fund
Direct Loan Servicing Fund	Private Purpose Trust Fund
NJCLASS Life of Loan Servicing Reserve Fund	Private Purpose Trust Fund
Higher Education Assistance – Capital Reserves	Private Purpose Trust Fund (A)
NJ Governor’s World Class Economy Scholarship Program	Private Purpose Trust Fund (A)

(A) During 2016, the net assets of this fund were transferred into the NJCLASS Life of Loan Servicing Reserve Fund.

The required financial statements of these fiduciary funds include the statements of fiduciary net position and the statements of changes in fiduciary net position. Also presented are the supplemental schedules – combining schedules of fiduciary net position and combining schedules of changes in fiduciary net position.

All of the net positions of the funds reported in these financial statements are restricted for purposes of the Authority.

Operating Revenues and Expenses by Fund

1. **Federal Collections – Escrow** is the conduit for collections received from defaulted borrowers in the Federal Family Education Loan Program (FFELP). The Higher Education Student Assistance Authority (HESAA) is authorized to receive these collections as the designated FFELP guaranty agency for the State of New Jersey. Funds are received daily into either the Federal Student Loan Depository Account or the Federal Attorney Depository Accounts maintained at Wells Fargo Bank and Bank of America. The receipts to the Federal Student Loan Depository Account result from student loan payments received on a daily basis into these two accounts and at HESAA. Funds received in the Federal Attorney Depository Account are “swept” daily into the Federal Student Loan Depository Account. On a daily basis, available funds are transferred from the Federal Student Loan Depository Account to a New Jersey Cash Management Fund (NJCMF) account. Twice each month, funds are transferred from the NJCMF account to the Federal Fund and Operating Fund in proportions mandated by U.S. Department of Education regulations.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses by Fund (Continued)

2. **NJCLASS Loan Reserve Fund** – received a 1% fee on all New Jersey College Loans to Assist State Students (NJCLASS) loans disbursed from the 2008, 2009, 2010-1 and 2010-2 and earlier bond issues and receives a percentage of collections on HESAA bond issues for NJCLASS defaulted loans. The Fund had a net deficit position at June 30, 2018 and 2017, caused by the excess of the defaulted loans over the fees and default collections to date. The deficit is expected to be reduced in future years as the defaulted loans are collected.
3. **NJBEST Administrative Fund** – receives fee income from the Fund’s manager, Franklin Templeton Investments. Income is used to pay any NJBEST program expenses not covered by Franklin Templeton, as well as NJBEST scholarships.
4. **Direct Loan Servicing Fund** – receives fee income from Federal Direct Loan (DL) servicing revenue earned through the Teaming Contract Arrangement with the Higher Education Loan Authority of Missouri (MOHELA). MOHELA serves as HESAA’s “Remote Site Third-Party Direct Lending Servicing Partner” under the terms of the Health Care and Education Reconciliation Act of 2010, which provides that the Secretary of the USDE will contract with nonprofit (NFP) servicers to service certain federally owned loans originated through the DL program. These funds may be used for any authorized purposes of the Authority.
5. **NJCLASS Life of Loan Servicing Reserve Fund** – receives the net unexpended balances, after deducting program expenses, of program revenues earned by HESAA from administration of the NJCLASS Loan Program. These receipts include application, servicing, and administrative fee income. In addition, the Fund receives a share of collections on defaulted NJCLASS loans. This fund is held as a reserve against the expense of administering and servicing NJCLASS loans in future years. During 2016 the net assets of the Higher Education Assistance - Capital Reserves and the NJ Governor’s World Class Economy Scholarship Program were transferred into the NJCLASS Life of Loan Servicing Reserve Fund.
6. **Higher Education Assistance – Capital Reserves** – consists of residual Authority reserves available for loan capital and future depository accounts for bond proceeds remaining after retirement of bonds. During 2016 the net assets of this Fund were transferred into the NJCLASS Life of Loan Servicing Reserve Fund.
7. **NJ Governor’s World Class Economy Scholarship Program** – consists of private donations previously held for incorporation into the Teacher’s Loan Forgiveness program that have been re-designated by the donor to fund Dana Christmas Scholarships for Heroism. During 2016 the net assets of this Fund were transferred into the NJCLASS Life of Loan Servicing Reserve Fund.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Federal Income Taxes

The Authority, which is a body corporate and politic that is in, but not of, the Department of State of the State of New Jersey and an instrumentality of the State of New Jersey exercising public and essential governmental functions of the State of New Jersey, 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.

NOTE 2 FEES RECEIVABLE

Under program regulations and contractual terms, the NJBEST Administrative Fund receives fee income from the fund managers of the NJBEST 529 College Savings Program, Franklin Templeton Investments. This income is received on a monthly basis. The amounts of fees receivable at June 30, 2018 and 2017, of \$406,244 and \$379,431, respectively, represents the June fee income which was received in July 2018 and 2017, respectively.

The Authority receives monthly revenues from the servicing of Federal Direct Student Loans serviced by MOHELA on behalf of the HESAA and the USDE. The amount of fees receivable at June 30, 2018 and 2017 were \$19,564 and \$36,878, respectively. The 2018 amount represents May and June fee income which was received in July and August 2018. The 2017 amount represents the May and June fee income which was received in July and August 2017.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk

The Federal Collections Escrow Fund, a component of Other HESAA Programs and Funds, utilizes lockbox accounts to clear cash receipts on behalf of FFELP. Amounts on deposit in the FFELP lockbox accounts at Wells Fargo Bank and Bank of America 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. Investments with the New Jersey Cash Management Fund (NJCMF) are not subject to custodial credit risk. The NJCMF does not have a credit rating.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value

All investments held by Other HESAA Programs and Funds are on deposit in the NJCMF. The NJCMF is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Assets of the NJCMF are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In addition, the fair value of certain investments that do not have a readily determinable fair value is classified as NAV, meaning Net Asset Value per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

In accordance with State Investment Council Regulations, units of ownership in the NJCMF may be purchased or redeemed on any business day (excluding State holidays) at the unit cost or value of \$1.00. Investment income and net realized gains and losses on investments are distributed daily in the form of additional whole units at the current day's net asset value. Fractional units are included in the succeeding day's distribution.

The NJCMF values participants' shares on a fair value basis. Specifically, the NJCMF distributes income to participants on a daily basis based on (1) realized investment gains and losses calculated at market (and added to the Reserve Fund for the pro-rata portion of such gains attributable to "Other-than-State" participants), (2) interest income based on stated rates, (3) amortization of discounts and premiums on a straight-line basis, and (4) administrative and reserve fund fees charged only to "Other-than-State" participants.

The amounts on deposit in cash and investment accounts were as follows at June 30:

	<u>Level</u>	<u>2018</u>	<u>2017</u>
Lockbox Cash (Wells Fargo Bank/ Bank of America)		\$ 249,832	\$ 254,807
New Jersey Cash Management Fund	NAV	<u>55,711,805</u>	<u>36,936,674</u>
Total		<u>\$ 55,961,637</u>	<u>\$ 37,191,481</u>

Interest Rate Risk

The Authority's investments are in the NJCMF. In this type of investment, it is highly unlikely that normal fluctuations in interest earnings on the underlying securities would cause a loss of principal. Consequently, investments are not subject to interest rate risk.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 4 DUE TO/FROM OTHER FUNDS

Amount Due to/from NJCLASS and NJCLASS Loan Reserve Fund

Under the terms of the various indentures of trust regulating the NJCLASS/FFELP loan program, the NJCLASS Loan Reserve Fund receives 70% of collections from defaulted NJCLASS loans that were disbursed from the 2008 and earlier bonds issues. At June 30, 2018 and 2017, the amounts due to the NJCLASS Loan Reserve Fund from the NJCLASS/FFELP Loan Program for default collections were \$217,594 and \$449,956, respectively.

The purpose of the NJCLASS Loan Reserve Fund is to protect the interests of NJCLASS/FFELP bond holders by reimbursing the various HESAA bond issues when loans default. At June 30, 2018 and 2017, the amounts due to the NJCLASS/FFELP bond issues as a result of loan defaults were \$42,455,118 and \$44,771,408, respectively.

The statements of fiduciary net position present the "Net" amounts of \$42,237,524 at June 30, 2018 and \$44,321,452 at June 30, 2017, due to the NJCLASS/FFELP loan program from the Loan Reserve Fund. This netting is presented via an elimination column on the combining schedules of fiduciary net position at June 30, 2018 and 2017, which are included in the supplementary information to these financial statements.

Due from NJCLASS/FFELP Loan Program

At June 30, 2018 and 2017, \$827,863 and \$1,151,371, respectively, was due to the Life of Loan Servicing Reserve Fund from the NJCLASS/FFELP program for administrative fees and the Fund's share of collections on defaulted NJCLASS loans.

Due to Guaranty Agency Trust Fund

The amounts due to Guaranty Agency Trust Fund represent collections from defaulted FFELP borrowers that are scheduled for transfer from the Federal Collections Escrow New Jersey Cash Management Fund account to the guaranty agency trust fund on the next transfer date. At June 30, 2018 and 2017, these amounts were \$590,042 and \$2,789,187, respectively.

Due to NJCLASS Administrative Fund

At June 30, 2018 and 2017, \$2,972,233 and \$2,111,317, respectively, were due to the NJCLASS Administrative Fund appropriation unit within the State General Fund, (the General Fund) from the Life of Loan Servicing Reserve Fund. The amount due at June 30, 2018 was transferred during July 2018. The amount due at June 30, 2017 was transferred during July 2017. These amounts were transferred to the General Fund as the final installment of the \$15,960,851 and \$13,780,363, respectively, in transfers made during the year to reimburse expenses initially paid from the General Fund for administration of the NJCLASS Loan Program.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 CONCENTRATIONS OF CREDIT RISK

At June 30, 2018 and 2017, approximately 99% of all funds within the HESAA Other Programs and Funds were invested in the NJCMF, a fund not subject to custodial credit risk as discussed in Note 3 above.

NOTE 6 TRANSACTIONS WITH THE NJCLASS/FFELP LOAN PROGRAM

In May 2018, the Life of Loan Servicing Fund incurred bond closing costs of \$1,753,552 relating to the NJCLASS/FFELP 2018-1 bond issue. In addition, the Life of Loan Servicing Fund made a \$1,200,000 equity contribution during May 2018 relating to the NJCLASS/FFELP 2018-1 bond issue within the 2010-1 trust.

In May and June 2017, the Life of Loan Servicing Fund incurred bond closing costs of \$1,926,500 relating to the NJCLASS/FFELP 2017-1 bond issue. In addition, the Life of Loan Servicing Fund made an \$817,845 equity contribution during May 2017 relating to the NJCLASS/FFELP 2017-1 bond issue within the 2010-1 trust.

The "Net Position" 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.

NOTE 7 RECENT ACCOUNTING STANDARDS

The following recently issued accounting standards could have an impact on the financial statements of the Other HESAA Programs and Funds in future years:

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

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 RECENT ACCOUNTING STANDARDS (CONTINUED)

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Authority has not yet completed the process of evaluating the impact of GASB 88 on its financial statements.

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

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

SUPPLEMENTARY INFORMATION

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Federal Collections – Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJCLASS Loan Reserve Fund	NJCLASS Life of Loan Servicing Reserve Fund	Elimination/ Reclassification	Combined Programs and Funds
CURRENT ASSETS							
Cash	\$ 249,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,832
New Jersey Cash Management Fund	692,602	792,367	42,137,120	2,491	12,087,225	-	55,711,805
Fees Receivable	-	19,564	406,244	-	-	-	425,808
Due from NJCLASS/FFELP Loan Program	-	-	-	217,594	827,863	217,594	827,863
Due from Life of Loan – Current	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-
Default Collections Receivable	-	-	-	138,078	161,468	-	299,546
Total Current Assets	<u>942,434</u>	<u>811,931</u>	<u>42,543,364</u>	<u>358,163</u>	<u>13,076,556</u>	<u>217,594</u>	<u>57,514,854</u>
OTHER ASSETS							
Due from Life of Loan – Noncurrent	-	-	-	-	-	-	-
Total Assets	<u>\$ 942,434</u>	<u>\$ 811,931</u>	<u>\$ 42,543,364</u>	<u>\$ 358,163</u>	<u>\$ 13,076,556</u>	<u>\$ 217,594</u>	<u>\$ 57,514,854</u>
LIABILITIES							
CURRENT LIABILITIES							
Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ 187,135	\$ -	\$ 187,135
Accrued Interest Payable	-	-	-	-	-	-	-
Due to NJCLASS/FFELP Loan Program	-	-	-	42,455,118	-	217,594	42,237,524
Due to NJCLASS Administrative Fund	-	-	-	-	2,972,223	-	2,972,223
Due to Guaranty Agency Trust Fund	590,042	-	-	-	-	-	590,042
Total Current Liabilities	<u>590,042</u>	<u>-</u>	<u>-</u>	<u>42,455,118</u>	<u>3,159,358</u>	<u>217,594</u>	<u>45,986,924</u>
OTHER LIABILITIES							
Due to NJBEST Admin Fund – Noncurrent	-	-	-	-	-	-	-
Total Liabilities	<u>590,042</u>	<u>-</u>	<u>-</u>	<u>42,455,118</u>	<u>3,159,358</u>	<u>217,594</u>	<u>45,986,924</u>
NET POSITION – RESTRICTED	<u>352,392</u>	<u>811,931</u>	<u>42,543,364</u>	<u>(42,096,955)</u>	<u>9,917,198</u>	<u>-</u>	<u>11,527,930</u>
Total Liabilities and Net Position	<u>\$ 942,434</u>	<u>\$ 811,931</u>	<u>\$ 42,543,364</u>	<u>\$ 358,163</u>	<u>\$ 13,076,556</u>	<u>\$ 217,594</u>	<u>\$ 57,514,854</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Federal Collections – Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJCLASS Loan Reserve Fund	NJCLASS Life of Loan Servicing Reserve Fund	Elimination/ Reclassification	Combined Programs and Funds
CURRENT ASSETS							
Cash	\$ 254,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,807
New Jersey Cash Management Fund	2,789,187	563,171	25,421,951	13,686	8,148,679	-	36,936,674
Fees Receivable	-	36,878	379,431	-	-	-	416,309
Due from NJCLASS/FFELP Loan Program	-	-	-	449,956	1,151,371	449,956	1,151,371
Due from Life of Loan – Current	-	-	885,280	-	-	885,280	-
Interest Receivable	-	-	511,552	-	-	511,552	-
Default Collections Receivable	-	-	-	91,678	45,592	-	137,270
Total Current Assets	<u>3,043,994</u>	<u>600,049</u>	<u>27,198,214</u>	<u>555,320</u>	<u>9,345,642</u>	<u>1,846,788</u>	<u>38,896,431</u>
OTHER ASSETS							
Due from Life of Loan – Noncurrent	-	-	10,800,660	-	-	10,800,660	-
Total Assets	<u>\$ 3,043,994</u>	<u>\$ 600,049</u>	<u>\$ 37,998,874</u>	<u>\$ 555,320</u>	<u>\$ 9,345,642</u>	<u>\$ 12,647,448</u>	<u>\$ 38,896,431</u>
LIABILITIES							
CURRENT LIABILITIES							
Accrued Expenses	\$ -	\$ -	\$ -	\$ 854	\$ 53,633	\$ -	\$ 54,487
Accrued Interest Payable	-	-	-	-	511,552	511,552	-
Due to NJCLASS/FFELP Loan Program	-	-	-	44,771,408	-	449,956	44,321,452
Due to NJBEST Admin Fund – Current	-	-	-	-	885,280	885,280	-
Due to NJCLASS Administrative Fund	-	-	-	-	2,111,317	-	2,111,317
Due to Guaranty Agency Trust Fund	2,789,187	-	-	-	-	-	2,789,187
Total Current Liabilities	<u>2,789,187</u>	<u>-</u>	<u>-</u>	<u>44,772,262</u>	<u>3,561,782</u>	<u>1,846,788</u>	<u>49,276,443</u>
OTHER LIABILITIES							
Due to NJBEST Admin Fund – Noncurrent	-	-	-	-	10,800,660	10,800,660	-
Total Liabilities	<u>2,789,187</u>	<u>-</u>	<u>-</u>	<u>44,772,262</u>	<u>14,362,442</u>	<u>12,647,448</u>	<u>49,276,443</u>
NET POSITION – RESTRICTED	<u>254,807</u>	<u>600,049</u>	<u>37,998,874</u>	<u>(44,216,942)</u>	<u>(5,016,800)</u>	<u>-</u>	<u>(10,380,012)</u>
Total Liabilities and Net Position	<u>\$ 3,043,994</u>	<u>\$ 600,049</u>	<u>\$ 37,998,874</u>	<u>\$ 555,320</u>	<u>\$ 9,345,642</u>	<u>\$ 12,647,448</u>	<u>\$ 38,896,431</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

	Federal Collections – Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJCLASS Loan Reserve Fund	NJCLASS Life of Loan Servicing Reserve Fund	Elimination	Combined Programs and Funds
ADDITIONS							
Trust Receipts:							
Defaulted FFELP Loan Receipts	\$ 32,364,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,364,298
Fee Income	-	202,766	4,819,446	-	13,826,098	13,826,098	5,022,212
Defaulted NJCLASS Loan Receipts	-	-	-	3,954,611	-	-	3,954,611
Total Trust Receipts	<u>32,364,298</u>	<u>202,766</u>	<u>4,819,446</u>	<u>3,954,611</u>	<u>13,826,098</u>	<u>13,826,098</u>	<u>41,341,121</u>
Parity Release – Income	-	-	-	-	1,012,384	-	1,012,384
Excess Parity Release – Income	-	-	-	-	20,000,000	-	20,000,000
Interest Income – Life of Loan	-	-	465,643	-	-	465,643	-
Interest Income – Excess Parity Release	-	-	-	-	32,691	-	32,691
Income on Investments	26,247	9,116	384,401	1,702	111,300	-	532,766
Total Additions	<u>32,390,545</u>	<u>211,882</u>	<u>5,669,490</u>	<u>3,956,313</u>	<u>34,982,473</u>	<u>14,291,741</u>	<u>62,918,962</u>
DEDUCTIONS							
Transfers to Guaranty Agency Trust Funds	32,292,960	-	-	-	-	-	32,292,960
Transfer to NJCLASS Administrative Fund	-	-	-	-	16,626,821	13,826,098	2,800,723
NJCLASS Defaulted Loans Expense	-	-	-	1,836,326	-	-	1,836,326
NJCLASS Bond Issue Closing Costs	-	-	-	-	1,753,552	-	1,753,552
Equity Contribution to NJCLASS/FFELP Bond Issue	-	-	-	-	1,200,000	-	1,200,000
Program Expense	-	-	1,125,000	-	-	-	1,125,000
Administrative Expense – Net	-	-	-	-	2,459	-	2,459
Interest Expense – NJBEST Admin Fund	-	-	-	-	465,643	465,643	-
Total Deductions	<u>32,292,960</u>	<u>-</u>	<u>1,125,000</u>	<u>1,836,326</u>	<u>20,048,475</u>	<u>14,291,741</u>	<u>41,011,020</u>
CHANGES IN NET POSITION HELD IN TRUST	97,585	211,882	4,544,490	2,119,987	14,933,998	-	21,907,942
Net Position – Beginning of Year	254,807	600,049	37,998,874	(44,216,942)	(5,016,800)	-	(10,380,012)
Assets Transferred	-	-	-	-	-	-	-
NET POSITION – END OF YEAR	<u>\$ 352,392</u>	<u>\$ 811,931</u>	<u>\$ 42,543,364</u>	<u>\$ (42,096,955)</u>	<u>\$ 9,917,198</u>	<u>\$ -</u>	<u>\$ 11,527,930</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

	Federal Collections – Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJCLASS Loan Reserve Fund	NJCLASS Life of Loan Servicing Reserve Fund	Elimination	Combined Programs and Funds
ADDITIONS							
Trust Receipts:							
Defaulted FFELP Loan Receipts	\$ 34,677,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,677,469
Fee Income	-	221,707	4,366,611	-	14,406,720	13,780,363	5,214,675
Defaulted NJCLASS Loan Receipts	-	-	-	4,523,423	-	-	4,523,423
Total Trust Receipts	<u>34,677,469</u>	<u>221,707</u>	<u>4,366,611</u>	<u>4,523,423</u>	<u>14,406,720</u>	<u>13,780,363</u>	<u>44,415,567</u>
Parity Release – Income	-	-	-	-	1,380,028	-	1,380,028
Excess Parity Release – Income	-	-	-	-	-	-	-
Interest Income – Life of Loan	-	-	522,302	-	-	522,302	-
Interest Income – Excess Parity Release	-	-	-	-	-	-	-
Income on Investments	11,549	2,590	137,787	423	65,538	-	217,887
Total Additions	<u>34,689,018</u>	<u>224,297</u>	<u>5,026,700</u>	<u>4,523,846</u>	<u>15,852,286</u>	<u>14,302,665</u>	<u>46,013,482</u>
DEDUCTIONS							
Transfers to Guaranty Agency Trust Funds	34,622,763	-	-	-	-	-	34,622,763
Transfer to NJCLASS Administrative Fund	-	-	-	-	13,780,363	13,780,363	-
NJCLASS Defaulted Loans Expense	-	-	-	2,983,399	-	-	2,983,399
NJCLASS Bond Issue Closing Costs	-	-	-	-	1,926,500	-	1,926,500
Equity Contribution to NJCLASS/FFELP Bond Issue	-	-	-	-	817,845	-	817,845
Program Expense	-	-	845,000	-	-	-	845,000
Administrative Expense – Net	-	-	-	-	31,373	-	31,373
Interest Expense – NJBEST Admin Fund	-	-	-	-	522,302	522,302	-
Total Deductions	<u>34,622,763</u>	<u>-</u>	<u>845,000</u>	<u>2,983,399</u>	<u>17,078,383</u>	<u>14,302,665</u>	<u>41,226,880</u>
CHANGES IN NET POSITION HELD IN TRUST	66,255	224,297	4,181,700	1,540,447	(1,226,097)	-	4,786,602
Net Position – Beginning of Year	188,552	375,752	33,817,174	(45,757,389)	(3,790,703)	-	(15,166,614)
Assets Transferred	-	-	-	-	-	-	-
NET POSITION – END OF YEAR	<u>\$ 254,807</u>	<u>\$ 600,049</u>	<u>\$ 37,998,874</u>	<u>\$ (44,216,942)</u>	<u>\$ (5,016,800)</u>	<u>\$ -</u>	<u>\$ (10,380,012)</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Other HESAA Programs and Funds of New Jersey Higher Education Student Assistance Authority (the Other HESAA Programs) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Other HESAA Programs' basic financial statements, and have issued our report thereon dated October 22, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Mt. Laurel, New Jersey
October 22, 2018



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.