

**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY**

OTHER HESAA PROGRAMS AND FUNDS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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**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, 2021 and 2020, 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 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 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, 2021 and 2020, and the related changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2021 and 2020, and its changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Other HESAA Programs and Funds, taken as a whole. The supplementary information as listed in the table of contents as of and for the years ended June 30, 2021 and 2020 is presented for purposes of additional analysis and is not a required part of the basic 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 15, 2021, on our consideration of the Other HESAA Programs and Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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* in considering the Other HESAA Programs and Funds' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 15, 2021

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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, 2021, 2020, and 2019. 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, 2021

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 \$71,239,316, \$68,634,258, and \$56,437,731 at June 30, 2021, 2020, and 2019, respectively, consist principally of amounts invested in the New Jersey Cash Management Fund.

The NJBEST Administrative Fund had \$51,050,253, \$48,404,839, and \$46,519,534 at June 30, 2021, 2020, and 2019, 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 2021 Fiscal Year is due in part to receipts from fee income of approximately \$5,340,565; investment income earned on the New Jersey Cash Management Fund account of approximately \$59,111 which was offset in part by program expenses of \$2,161,047 and funding of an affiliate of \$87,000. The increase in the cash balance during the 2020 Fiscal Year is due in part to receipts from fee income of approximately \$4,952,561; investment income earned on the New Jersey Cash Management Fund account of approximately \$741,718 which was offset in part by program expenses of \$2,400,783 and funding of an affiliate of \$1,800,000.

The Life of Loan Servicing Reserve Fund had \$18,006,452, \$17,561,271, and \$6,605,877 at June 30, 2021, 2020, and 2019, 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 increase in the cash balance during the 2021 Fiscal Year was due primarily to a receipt of an equity distribution from the 2010-2 bond issue as part of a refunding of the bonds for that bond issue in Fiscal Year 2021. The increase in the cash balance during the 2020 Fiscal Year was due primarily to a receipt of an equity distribution from the 2010-1 bond issue as part of a refunding of the bonds for that bond issue in Fiscal Year 2020. 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.

In FY2021, the Life of Loan Servicing Reserve Fund received \$9,298,900 in excess equity distribution from the 2010-2 bond issue as part of the 2021 bond transaction. In that transaction, the bonds of the 2010-2 bond issue were refinanced allowing excess equity to be distributed to this Fund.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Financial Highlights and Analysis (Continued)

At June 30, 2021, 2020, and 2019, the Funds' liabilities totalled \$8,131,235, \$9,825,663, and \$47,707,367, respectively, and consisted primarily of amounts due to HESAA programs not represented on these financial statements. While there was no net amounts due to the NJCLASS/FFELP Bond Trusts from the NJCLASS Loan Reserve Fund for payment of default claims at June 30, 2021, at June 30, 2020 and 2019, the amounts due were the largest liabilities in the financial statements. In FY2020, the liability of \$42,096,955 was forgiven by NJCLASS and NJCLASS retained the defaulted loans receivables with no further requirement for a loan reserve fund due to the retirement of the 2010-1 bond issue bonds. At June 30, 2021, 2020, and 2019, this net liability totaled \$4,558,938, \$4,558,938, and \$44,255,003, respectively. The liability decreased in FY 2020 due to the loan forgiveness while it increased in FY 2019 as the Life of Loan Servicing Reserve Fund borrowed funds to pay the bank underwriter fees relating to the Bond Year 2019 transaction. The Fund had a positive position at June 30, 2021, due to the loan forgiveness in FY 2020 but a net deficit position at June 30, 2020, caused by the excess of the defaulted loans over the fees and default collections to date. As the bondholders for these loans have been paid off and the last reimbursement to the Loan Reserve Fund based on attorney collections on these loans was in FY 2019, the reserve is no longer needed in future years hence the balance was forgiven in Fiscal Year 2020.

At June 30, 2021 and 2020, assets exceeded liabilities by \$63,108,081 and \$58,808,595, respectively, as compared to June 30, 2019, where assets exceeded liabilities by \$8,730,364. The increase in net position at June 30, 2020, as compared to June 30, 2019, was due primarily to the forgiveness of the loan reserve fund receivable from NJCLASS. The decrease in net position at June 30, 2019, as compared to June 30, 2018, was due primarily to increases in net position of the NJBEST Administrative Fund offset in part by a decrease in net position of the NJCLASS Life of Loan Servicing 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, 2021, 2020, and 2019 were \$18,438,613, \$78,950,071, and \$38,184,424, respectively. For Fiscal Year 2021, the largest source of trust cash receipts was \$12,534,455 received by the Life of Loan Servicing Reserve Fund. There were no trust receipts in Fiscal Year 2021 for FFELP as HESAA ended its role as a Guaranty Agency as of January 1, 2020. For the prior Fiscal Years 2020 and 2019, the largest source of total trust cash receipts was on defaulted FFELP and NJCLASS student loans, which totalled (and % of total additions) \$14,391,627 (74%), and \$30,823,504 (86%), respectively. As of January 1, 2020, HESAA ended its role as a Guaranty Agency and transferred its portfolio of Federal Family Education Loan Program (FFELP) student loans to the federally designated successor guaranty agency, the Kentucky Higher Education Assistance Authority (KHEAA). All receipts for FFELP ended in Fiscal Year 2020. These accounts served 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.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Financial Highlights and Analysis (Continued)

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 2021, 2020, and 2019, \$0, \$14,670,428, and \$30,963,474, respectively, were 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.

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, 2021, 2020, and 2019 were \$5,340,565 (100%), \$4,952,561 (26%), and \$4,941,391 (13%), respectively, of total trust receipts 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.

During 2021, 2020, and 2019, the NJCLASS Life of Loan Servicing Fund received Parity Release income from the 2010-FFELP Bond Issue totaling \$0 (0%), \$177,926 (0.2%), and \$1,134,141 (3%), respectively, of total additions in the respective years.

Per the 2010-1 FFELP Indenture, excess parity cannot be released after June 1, 2020, but rather must be directed to the repayment of the outstanding bonds. Therefore the FY2021 elimination and the FY2020 reduction in parity release income were less than FY2019.

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. There were no default expenses recorded for the year ended June 30, 2021 and 2020.

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, 2021 AND 2020

	2021	2020
ASSETS		
New Jersey Cash Management Fund	\$ 69,056,705	\$ 67,036,978
Fees Receivable	470,042	402,780
Due from NJCLASS/FFELP Loan Program	1,582,093	1,037,133
Due from 2010-1 FFELP Servicers	10,852	-
Default Collections Receivable	119,624	157,367
 Total Assets	<u>\$ 71,239,316</u>	<u>\$ 68,634,258</u>
 LIABILITIES AND NET POSITION		
LIABILITIES		
Due to NJBest Admin Fund	\$ 805,687	\$ 642,749
Due to NJCLASS/FFELP Loan Program	4,558,938	4,558,938
Due to NJBest Admin Fund	-	450,000
Due to NJCLASS Administrative Fund	2,766,610	4,173,976
Total Liabilities	8,131,235	9,825,663
 NET POSITION		
 Total Liabilities and Net Position	<u>\$ 63,108,081</u>	<u>\$ 58,808,595</u>
 Total Liabilities and Net Position	<u>\$ 71,239,316</u>	<u>\$ 68,634,258</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Trust Receipts:		
Defaulted FFELP Loan Receipts	\$ -	\$ 14,391,627
Fee Income	<u>5,340,565</u>	<u>4,952,561</u>
Total Trust Receipts	<u>5,340,565</u>	<u>19,344,188</u>
Parity Release Income	-	177,926
Income on Investments	68,167	856,168
FFELP Servicing Fees	225,922	150,000
FFELP Administration Fees	70,958	32,514
Equity Distribution from 2010-1	9,298,900	16,292,320
Transfer from Closing of FFELP Operating Account	3,434,101	-
Forgiveness of Affiliate Loan	-	<u>42,096,955</u>
Total Additions	18,438,613	78,950,071
DEDUCTIONS		
Transfers to Guaranty Agency Trust Funds	-	14,670,428
Transfers to NJCLASS Administrative Fund	9,535,199	7,626,357
NJCLASS Bond Issue Closing Costs	762,397	50,000
Capital Contributions to NJCLASS/FFELP Bond Issue	1,528,593	3,584,131
Program Expense	2,161,047	2,400,783
Administrative Expense, Net	<u>151,891</u>	<u>540,141</u>
Total Deductions	<u>14,139,127</u>	<u>28,871,840</u>
CHANGES IN NET POSITION	4,299,486	50,078,231
Net Position – Beginning of Year	<u>58,808,595</u>	<u>8,730,364</u>
NET POSITION – END OF YEAR	<u>\$ 63,108,081</u>	<u>\$ 58,808,595</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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 AND 2020

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:

Fund Name	Type
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

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, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses by Fund (Continued)

2. **NJCLASS Loan Reserve Fund** – received in prior years a 1% fee on all New Jersey College Loans to Assist State Students (NJCLASS) loans disbursed from the 2008 and earlier bond issues and receives a percentage of collections on HESAA bond issues for NJCLASS defaulted loans. As the bondholders for these loans have been paid off and the last reimbursement to the Loan Reserve Fund based on attorney collections on these loans was in FY 2019, the reserve will no longer be needed in future years and it is anticipated the balance will be forgiven. Therefore, the net position at June 30, 2021 and 2020 were zero.
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.

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 State 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.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2019. 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. This Statement also defines four fiduciary funds that should be reported. The Authority has adopted this standard during the 2021 year and there was no impact to the 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, 2021 and 2020, of \$470,042 and \$402,780, respectively, represents the June fee income which was received in July 2021 and 2020, respectively.

Since 2010, the Missouri Higher Education Loan Authority, or MOHELA, had been servicing a portfolio of federal Direct Loans apportioned by the US Department of Education to HESAA. In February the federal government announced it would not be renewing its contract with MOHELA which resulted in the termination of the HESAA/MOHELA revenue-sharing agreement as of April 30, 2020.

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, 2021 AND 2020

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 accounting principles generally accepted in the United States of America. 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. There are no withdrawal restrictions.

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:

	Level	2021	2020
	NAV	\$ 69,056,705	\$ 67,036,978
New Jersey Cash Management Fund			
Total		<u>\$ 69,056,705</u>	<u>\$ 67,036,978</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, 2021 AND 2020**

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. As a consequence of the 2008 bondholders being paid off in June 2018, there is no further need to pay the Loan Reserve Fund. At June 30, 2021 and 2020, there was no amounts due to the NJCLASS Loan Reserve Fund from the NJCLASS/FFELP Loan Program for default collections.

The purpose of the NJCLASS Loan Reserve Fund is to protect the interests of NJCLASS/FFELP bondholders by reimbursing the various HESAA bond issues when loans default. In FY2020, the liability was forgiven by NJCLASS and NJCLASS retained the defaulted loans receivables with no further requirement for a loan reserve fund due to the retirement of the 2010-1 bond issue bonds. As a result, at June 30, 2021, the amount due to the NJCLASS/FFELP bond issues as a result of loan defaults was zero. At June 30, 2020, the liability was \$42,096,955.

The statements of fiduciary net position present the net amounts of \$4,558,938 as of June 30, 2021 and 2020 due to the NJCLASS/FFELP loan program from the Loan Reserve Fund.

Due to/from NJCLASS/FFELP Loan Program

At June 30, 2021 and 2020, \$1,582,093 and \$1,037,133, 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.

At June 30, 2021 and 2020, \$4,558,938 was due to the NJCLASS/FFELP program relating to the 2020 and 2019 bond issuance closing costs, respectively.

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. As of January 1, 2020, HESAA ended its role as a Guaranty Agency and transferred its portfolio of Federal Family Education Loan Program (FFELP) student loans to the federally designated successor guaranty agency, KHEAA. At June 30, 2021 and 2020, these amounts were \$-0-.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 DUE TO/FROM OTHER FUNDS (CONTINUED)

Due to NJCLASS Administrative Fund

At June 30, 2021 and 2020, \$2,766,610 and \$4,173,976, 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.

NOTE 5 CONCENTRATIONS OF CREDIT RISK

At June 30, 2021 and 2020, 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

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 COMMITMENTS AND CONTINGENCIES

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic and Governor Murphy declared a State of Emergency in the State of New Jersey. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Authority, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, decreases in incoming funds due to the inability of certain Student Loan borrowers to make full and timely loan repayment, decreases in fee income resulting from lower college saving investments, impact on the financial markets especially impacting interest rates and resulting income and a reduction in the number and amount of NJCLASS loans being borrowed as well as an increase in costs for emergency preparedness. Management believes the Authority is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 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 May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. Statement No. 91 is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in accounting and financial reporting. The Authority has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Authority has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of Statement No. 93 is to address accounting and financial reporting implications that result from the replacement of LIBOR. The provisions in Statement No. 93 are effective for the fiscal year ending June 30, 2022. The Authority has not yet determined the effect that the adoption of GASB Statement No. 93 may have on its financial statements.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of Statement No. 94 is to address issues related to situations in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. In addition, it addresses an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating a nonfinancial asset. The provisions in Statement No. 94 are effective for the fiscal years beginning after June 15, 2022. The Authority has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). The objective of Statement No. 96 is to provide the capitalization criteria for outlays other than subscription payments including implementation costs of a SBITA and the required note disclosures. The provisions in Statement No. 96 are effective for the fiscal years beginning after June 15, 2022. The Authority has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 RECENT ACCOUNTING STANDARDS (CONTINUED)

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The objective of Statement No. 97 is to address situations in which a primary government is financially accountable for its fiduciary component unit if there is no governing board over the unit and therefore the government takes up the role of the board. The provisions in Statement No. 97 are effective for the fiscal years beginning after June 15, 2021. The Authority has not yet determined the effect that the adoption of GASB Statement No. 97 may have on its financial statements.

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

SUPPLEMENTARY INFORMATION

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2021
(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/ Reclassification	Combined Programs and Funds
ASSETS							
CURRENT ASSETS							
New Jersey Cash Management Fund	\$ -	\$ -	\$ 51,050,253	\$ -	\$ 18,006,452	\$ -	\$ 69,056,705
Fees Receivable	-	-	470,042	-	-	-	470,042
Due from NJCLASS/FFELP Loan Program	-	-	-	-	1,582,093	-	1,582,093
Due from 2010-1 FFELP Servicers	-	-	-	-	10,852	-	10,852
Default Collections Receivable	-	-	-	-	119,624	-	119,624
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,520,295</u>	<u>\$ -</u>	<u>\$ 19,719,021</u>	<u>\$ -</u>	<u>\$ 71,239,316</u>
LIABILITIES							
CURRENT LIABILITIES							
Accrued Expenses	\$ -	\$ -	\$ 51,557	\$ -	\$ -	\$ -	\$ 51,557
Due to NJCLASS/FFELP Loan Program	-	-	-	-	4,558,938	-	4,558,938
Due to NJCLASS Administrative Fund	-	-	-	-	754,130	-	754,130
Due to Guaranty Agency Trust Fund	-	-	-	-	2,766,610	-	2,766,610
Total Liabilities	-	-	<u>\$ 51,557</u>	-	<u>\$ 8,079,678</u>	-	<u>\$ 8,131,235</u>
NET POSITION – RESTRICTED							
Total Liabilities and Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,468,738</u>	<u>\$ -</u>	<u>\$ 11,639,343</u>	<u>\$ -</u>	<u>\$ 63,108,081</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,520,295</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,719,021</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 71,239,316</u></u>

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
JUNE 30, 2020
(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/ Reclassification	Combined Programs and Funds
ASSETS							
CURRENT ASSETS							
New Jersey Cash Management Fund	\$ -	\$ 1,070,868	\$ 48,404,839	\$ -	\$ 17,561,271	\$ -	\$ 67,036,978
Fees Receivable	-	-	402,780	-	-	-	402,780
Due from NJCLASS/FFELP Loan Program	-	-	-	-	1,004,619	-	1,004,619
Due from 2010-1 FFELP Servicers	-	-	-	-	32,514	-	32,514
Default Collections Receivable	-	-	-	-	157,367	-	157,367
Total Assets	\$ -	\$ 1,070,868	\$ 48,807,619	\$ -	\$ 18,755,771	\$ -	\$ 68,634,258
LIABILITIES							
CURRENT LIABILITIES							
Accrued Expenses	\$ -	\$ -	\$ 40,510	\$ -	\$ -	\$ -	\$ 40,510
Due to NJCLASS/FFELP Loan Program	-	-	-	-	4,558,938	-	4,558,938
Due to HESAA General Fund	-	-	450,000	-	-	-	450,000
Due to NJCLASS Administrative Fund	-	-	-	-	602,239	-	602,239
Due to Guaranty Agency Trust Fund	-	-	-	-	4,173,976	-	4,173,976
Total Liabilities	-	-	490,510	-	9,335,153	-	9,825,663
NET POSITION – RESTRICTED							
Total Liabilities and Net Position	\$ -	\$ 1,070,868	\$ 48,317,109	\$ -	\$ 9,420,618	\$ -	\$ 58,808,595
	\$ -	\$ 1,070,868	\$ 48,807,619	\$ -	\$ 18,755,771	\$ -	\$ 68,634,258

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021
(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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fee Income	-	-	5,340,565	-	12,534,455	12,534,455	5,340,565
Total Trust Receipts	-	-	5,340,565	-	12,534,455	12,534,455	5,340,565
Parity Release – Income	-	-	-	-	-	-	-
Interest Income – Life of Loan	-	-	59,111	-	-	-	59,111
Interest Income – Excess Parity Release	-	-	-	-	-	-	-
Income on Investments	-	22	-	-	9,034	-	9,056
FFELP Servicing Fee Income	-	-	-	-	225,922	-	225,922
FFELP Administration Fee	-	-	-	-	70,958	-	70,958
Equity Distribution from Bond Refunding of 2010-1 Bond Issue	-	-	-	-	9,298,900	-	9,298,900
Forgiveness of Loan from Affiliate	-	-	-	-	3,434,101	-	3,434,101
Total Additions	-	22	5,399,676	-	25,573,370	12,534,455	18,438,613
DEDUCTIONS							
Transfers to Guaranty Agency Trust Funds	-	-	-	-	-	-	-
Transfer to NJCLASS Administrative Fund	-	1,070,890	-	-	20,998,764	12,534,455	9,535,199
NJCLASS Bond Issue Closing Costs	-	-	-	-	762,397	-	762,397
Program Expense	-	-	2,161,047	-	-	-	2,161,047
Funding of Affiliate	-	-	87,000	-	(87,000)	-	-
Administrative Expense – Net	-	-	-	-	151,891	-	151,891
Capital Reserve Expense	-	-	-	-	1,528,593	-	1,528,593
Total Deductions	-	1,070,890	2,248,047	-	23,354,645	12,534,455	14,139,127
CHANGES IN NET POSITION HELD IN TRUST							
Net Position – Beginning of Year	-	(1,070,868)	3,151,629	-	2,218,725	-	4,299,486
Net Position – End of Year	\$ -	\$ 1,070,868	48,317,109	-	9,420,618	-	58,808,595
NET POSITION – END OF YEAR	\$ -	\$ 51,468,738	\$ 11,639,343	\$ -	\$ 63,108,081	\$ -	\$ 63,108,081

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020
(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	\$ 14,391,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,391,627
Fee Income	-	100,446	4,852,115	-	13,579,194	13,579,194	4,952,561
Total Trust Receipts	<u>14,391,627</u>	<u>100,446</u>	<u>4,852,115</u>	<u>-</u>	<u>13,579,194</u>	<u>13,579,194</u>	<u>19,344,188</u>
Parity Release – Income	-	-	-	-	177,926	-	177,926
Interest Income – Life of Loan	-	-	741,718	-	-	-	741,718
Interest Income – Excess Parity Release	-	-	-	-	4,950	-	4,950
Income on Investments	15,953	14,961	-	-	78,586	-	109,500
FFELP Servicing Fee Income	-	-	-	-	150,000	-	150,000
FFELP Administration Fee	-	-	-	-	32,514	-	32,514
Equity Distribution from Bond Refunding of 2010-1 Bond Issue	-	-	-	-	16,292,320	-	16,292,320
Forgiveness of Loan from Affiliate	-	-	-	42,096,955	-	-	42,096,955
Total Additions	<u>14,407,580</u>	<u>115,407</u>	<u>5,593,833</u>	<u>42,096,955</u>	<u>30,315,490</u>	<u>13,579,194</u>	<u>78,950,071</u>
DEDUCTIONS							
Transfers to Guaranty Agency Trust Funds	14,670,428	-	-	-	-	-	14,670,428
Transfer to NJCLASS Administrative Fund	-	-	-	-	21,205,551	13,579,194	7,626,357
NJCLASS Bond Issue Closing Costs	-	-	-	-	50,000	-	50,000
Program Expense	-	-	2,400,783	-	-	-	2,400,783
Funding of Affiliate	-	-	1,800,000	-	(1,800,000)	-	-
Administrative Expense – Net	-	-	-	-	540,141	-	540,141
Capital Reserve Expense	-	-	-	-	3,584,131	-	3,584,131
Total Deductions	<u>14,670,428</u>	<u>-</u>	<u>4,200,783</u>	<u>-</u>	<u>23,579,823</u>	<u>13,579,194</u>	<u>28,871,840</u>
CHANGES IN NET POSITION HELD IN TRUST							
Net Position – Beginning of Year	(262,848)	115,407	1,393,050	42,096,955	6,735,667	-	50,078,231
Net Position – Beginning of Year	<u>262,848</u>	<u>955,461</u>	<u>46,924,059</u>	<u>(42,096,955)</u>	<u>2,684,951</u>	<u>-</u>	<u>8,730,364</u>
NET POSITION – END OF YEAR							
	<u>\$ -</u>	<u>\$ 1,070,868</u>	<u>\$ 48,317,109</u>	<u>\$ -</u>	<u>\$ 9,420,618</u>	<u>\$ -</u>	<u>\$ 58,808,595</u>



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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 the New Jersey Higher Education Student Assistance Authority (the Authority) Other HESAA Programs and Funds (the Funds) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated October 15, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances 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 Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' 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 Funds' financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 15, 2021

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