

**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

**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 State of New Jersey
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying statements of financial net position 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, 2016 and 2015, 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 auditor's 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, 2016 and 2015, 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, 2016 and 2015, 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 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 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, 2016 and 2015 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Program's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Mount Laurel, New Jersey
October 21, 2016

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016, 2015 and 2014. 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 New Jersey State Guaranty Agency for the Federal Family Education Loan Program (FFELP) and as the lender under the New Jersey College Loans to Assist State Students (NJCLASS) Program, both of which are referenced in these financial statements. All amounts earned through these programs are restricted for use by the respective programs in accordance with 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.

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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 \$33,215,451, \$20,829,997, and \$19,283,614 at June 30, 2016, 2015, and 2014, respectively, consist principally of amounts invested in the New Jersey Cash Management Fund.

The NJBEST Administrative Fund had \$19,919,758, \$14,549,189, and \$11,362,695 at June 30, 2016, 2015, and 2014, respectively, invested in the New Jersey Cash Management Fund. The NJBEST Administrative Fund is reserved 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 2016 Fiscal Year is due in part to receipts from fee income of approximately \$4,152,000 and principal and interest payments from the Life of Loan Servicing Fund of approximately \$2,180,000 offset in part by program expenses of \$1,015,000. The increase in the cash balance during the 2015 Fiscal Year is due in part to receipts from fee income of approximately \$4,300,000 and principal and interest payments from the Life of Loan Servicing Fund of approximately \$2,583,000 offset in part by program expenses of \$975,000 and \$2,739,000 which was used to fund a capital contribution associated with the Authority's 2015-1 Bond Issue, which closed on June 10, 2015. The contribution to the 2015-1 Bond Issue will be repaid, with interest, from the NJCLASS Life of Loan Servicing Reserve Fund from parity releases from the 2010-FFELP Bonds after the capital contribution made for the 2013-1 Bond Issue is fully repaid. The contribution to the 2014-1 Bond Issue will be repaid, with interest, from the NJCLASS Life of Loan Servicing Reserve Fund from parity releases from the 2008 Bond Issue. The contribution to the 2013-1 Bond Issue will be repaid, with interest, from the NJCLASS Life of Loan Servicing Reserve Fund from parity releases from the 2010-FFELP Bonds.

The Life of Loan Servicing Reserve Fund had \$10,490,882, \$2,653,449, and \$4,092,607 at June 30, 2016, 2015, and 2014, 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 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, 2016, 2015, and 2014, the Funds' liabilities totalled \$48,382,066, \$49,963,477, and \$50,962,550, 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, 2016, 2015, and 2014 this net liability totalled \$45,913,379, \$47,338,259, and \$47,047,438, 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.

At June 30, 2016, liabilities exceeded assets by \$15,166,614 as compared to June 30, 2015 and 2014 where liabilities exceeded assets by \$29,133,480 and \$31,678,936, respectively. The increase in net position at June

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Financial Highlights and Analysis (Continued)

30, 2016 as compared to June 30, 2015 was due primarily to increases in net position in the NJCLASS Life of Loan Servicing Reserve, the NJBEST Administrative Fund and the NJCLASS Loan Reserve Fund. The increase in net position at June 30, 2015 as compared to June 30, 2014 was due primarily to an increase in net position in the NJBEST Administrative Fund offset in part to decreases in net position in the Direct Loan Servicing Fund, NJCLASS Loan Reserve Fund and the NJCLASS Life of Loan Servicing Reserve Fund. The net asset deficit 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, 2016, 2015, and 2014, were \$51,392,574, \$40,722,419, and \$48,627,766, respectively. The largest source of collections was on defaulted FFELP and NJCLASS student loans, which totalled \$33,800,963 (66%), \$33,129,683 (81%), and \$43,301,342 (85%) for the fiscal years ended June 30, 2016, 2015, and 2014, 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 2016, 2015, and 2014, \$28,297,620, \$28,634,584, and \$36,712,749, 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.

Total additions during 2016 include other income of \$9,712,675 (19%) 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, 2016, 2015, and 2014 were \$6,102,414 (12%), \$5,481,566 (13%), and \$4,988,707 (10%), 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.

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JUNE 30, 2016**

Financial Highlights and Analysis (Continued)

During 2016, 2015, and 2014 the NJCLASS Life of Loan Servicing Fund received Parity Release income from the 2010-FFELP Bond Issue totaling \$1,686,724 (3%), \$2,089,946 (5%) and \$2,319,009 (5%) respectively, of total additions in the respective years. Future releases will be used 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 \$4,232,403, \$4,708,225, and \$5,618,328 for the years ended June 30, 2016, 2015, and 2014, 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 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, 2016**

	2016	2015
ASSETS		
Cash	\$ 188,552	\$ 330,282
New Jersey Cash Management Fund	31,359,235	17,999,559
Fees Receivable	366,860	389,432
Due from NJCLASS/FFELP Loan Program	1,089,594	1,838,983
Default Collections Receivable	211,210	271,741
Total Assets	33,215,451	20,829,997
LIABILITIES AND NET POSITION		
LIABILITIES		
Accrued Expenses	50,639	53,690
Due to NJCLASS/FFELP Loan Program	45,913,379	47,338,259
Due to NJCLASS Administrative Fund	1,830,624	2,185,040
Due to Guaranty Agency Trust Fund	587,423	386,488
Total Liabilities	48,382,065	49,963,477
NET POSITION	(15,166,614)	(29,133,480)
Total Liabilities and Net Position	\$ 33,215,451	\$ 20,829,997

See accompanying Notes to Financial Statements.

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OTHER HESAA PROGRAMS AND FUNDS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
ADDITIONS		
Trust Receipts		
Defaulted FFELP Loan Receipts	\$ 28,153,519	\$ 28,738,063
Fee Income	6,102,414	5,481,566
Defaulted NJCLASS Loan Receipts	5,647,444	4,391,620
Total Trust Receipts	<u>39,903,377</u>	<u>38,611,249</u>
Other Income	9,712,675	-
Parity Release Income	1,686,724	2,089,946
Income on Investments	89,798	21,224
Total Revenues	<u>51,392,574</u>	<u>40,722,419</u>
DEDUCTIONS		
Transfers to Guaranty Agency Trust Funds	28,297,620	28,634,584
NJCLASS Defaulted Loans Expense	4,232,403	4,708,225
NJCLASS Bond Issue Closing Costs	1,382,000	1,125,000
Capital Contributions to NJCLASS/FFELP Bond Issue	2,500,000	2,739,000
Program Expense	1,015,000	975,000
Administrative Expense (Income), Net	(1,315)	(4,846)
Total Expenses	<u>37,425,708</u>	<u>38,176,963</u>
CHANGES IN NET POSITION	13,966,866	2,545,456
Net Position - Beginning of Year	<u>(29,133,480)</u>	<u>(31,678,936)</u>
NET POSITION - END OF YEAR	<u>\$ (15,166,614)</u>	<u>\$ (29,133,480)</u>

See accompanying Notes to Financial Statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 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 Non-Major 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, 2016 and 2015, 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.

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OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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
NJ Governor’s World Class Economy Scholarship Program	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 required 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.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 US Department of Education regulations.
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 and earlier bond issues and receives a percentage of collections on defaulted loan accounts. The NJCLASS Loan Reserve Fund reimburses the various 2008 and earlier HESAA bond issues for NJCLASS defaulted loans. The Fund had a net deficit position at June 30, 2016 and 2015, 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 not-for-profit (“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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses by Fund (Continued)

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.

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, 2016 and 2015, of \$348,926 and \$370,240, respectively, represents the June fee income which was received in July 2016 and 2015, 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, 2016 and 2015, of \$17,934 and \$19,192, respectively, represents the June fee income which was received in July 2016 and 2015, respectively.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 Fund does not have a credit rating.

Fair Value

All investments held by Other HESAA Programs and Funds are on deposit in the NJCMF. The Fund 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 at June 30, 2016 and 2015, were as follows:

	Level	2016	2015
Lockbox Cash (Wells Fargo Bank/Bank of America)		\$ 188,552	\$ 330,282
New Jersey Cash Management Fund	NAV	31,359,235	17,999,559
Total		<u>\$ 31,547,787</u>	<u>\$ 18,329,841</u>

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

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, 2016 and 2015, the amounts due to the NJCLASS Loan Reserve Fund from the NJCLASS/FFELP Loan Program for default collections were \$425,212, and \$328,475, 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, 2016 and 2015, the amounts due to the NJCLASS/FFELP bond issues as a result of loan defaults were \$46,338,591 and \$47,666,734, respectively.

The Statements of Fiduciary Net Position present the "Net" amounts of \$45,913,379 at 2016 and \$47,338,259 at 2015, 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, 2016 and 2015, which are included in the Supplementary Information to these financial statements.

Due from NJCLASS/FFELP Loan Program

At June 30, 2016 and 2015, \$1,089,594 and \$1,838,983, 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, 2016 and 2015, these amounts were \$587,423 and \$386,488, respectively.

Due to NJCLASS Administrative Fund

At June 30, 2016 and 2015, \$1,830,624 and \$2,185,040, 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, 2016 was transferred during July 2016. The amount due at June 30, 2015 was transferred during July 2015. These amounts were transferred to the General Fund as the final installment of the \$12,439,360 and \$12,734,932, 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, 2016

NOTE 5 CONCENTRATIONS OF CREDIT RISK

At June 30, 2016 and 2015, approximately 99% and 98%, respectively, 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 2016, the Life of Loan Servicing Fund incurred bond closing costs of \$1,382,000 relating to the NJCLASS/FFELP 2016-1 bond issue. In addition, the Life of Loan Servicing Fund made a \$2,500,000 capital contribution relating to the NJCLASS/FFELP 2016-1 bond issue within the 2012-1 trust.

In June 2015 the Life of Loan Servicing Fund incurred bond closing costs of \$125,000 relating to the NJCLASS/FFELP 2015-1 bond issue.

In June 2015, the NJBEST Administrative Fund advanced \$2,739,000 on behalf of the Life of Loan Servicing Fund for a capital contribution relating to the NJCLASS/FFELP 2015-1 bond issue. This amount will be repaid to the NJBEST Administrative Fund by the Life of Loan Servicing Fund, with interest, from future Parity Release income from the 2012-FFELP Bond Issue. This advance can also be repaid from parity releases from bond issues from within the 2012-1 Indenture.

In June 2015 the Direct Loan Servicing Fund incurred bond closing costs of \$1,000,000 relating to the NJCLASS/FFELP 2015-1 bond issue.

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 Authority has adopted GASB Statement No. 72, Fair Value Measurement and Application ("GASB 72"). Statement No. 72 requires the Authority to use hierarchy of valuations methods and inputs in measuring its investments at fair value and requires disclosure about the fair value measurements, hierarchy, and valuation techniques. Required financial statement disclosures are included in Note 3 of these financial statements.

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

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 RECENT ACCOUNTING STANDARDS (CONTINUED)

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

The Authority has adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"). This statement establishes the hierarchy of GAAP for state and local governments. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities and establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The Authority has reviewed the provision of this Statement and has determined that no retroactive accounting changes are necessary as a result of implementing this Statement.

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

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*—an amendment of GASB Statement No. 14. Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions in Statement No. 80 are effective for reporting periods beginning after June 15, 2016. The Authority has determined that Statement No. 80 will have no effect on its financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 RECENT ACCOUNTING STANDARDS (CONTINUED)

In March 2016, GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for reporting periods beginning after December 15, 2016. The Authority has not yet completed the process of evaluating the impact of GASB 81 on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses technical issues related to previous GASB guidance on pensions. The Authority has determined that Statement No. 82 will have no effect on its financial statements.

SUPPLEMENTARY INFORMATION

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016**

	Federal Collections - Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJ Governor's World Class Economy Scholarship Program	NJCLASS Loan Reserve Fund	Higher Education Assistance- Capital Reserves	NJCLASS Life of Loan Servicing Reserve Fund	Elimination/ Reclassification	Combined Programs and Funds
ASSETS									
CURRENT ASSETS									
Cash	\$ 188,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,552
New Jersey Cash Management Fund	587,423	357,818	19,919,758	-	3,354	-	10,490,882	-	31,359,235
Fees Receivable	-	17,934	348,926	-	-	-	-	-	366,860
Due from NJCLASS/FFELP Loan Program	-	-	-	-	425,212	-	1,089,594	425,212	1,089,594
Due from Life of Loan - Current	-	-	1,499,489	-	-	-	-	1,499,489	-
Interest Receivable	-	-	348,395	-	-	-	-	348,395	-
Default Collections Receivable	-	-	-	-	153,490	-	57,720	-	211,210
Total Current Assets	<u>775,975</u>	<u>375,752</u>	<u>22,116,568</u>	<u>-</u>	<u>582,056</u>	<u>-</u>	<u>11,638,197</u>	<u>2,273,096</u>	<u>33,215,452</u>
OTHER ASSETS									
Due from Life of Loan - non-current	-	-	11,700,606	-	-	-	-	11,700,606	-
Total Assets	<u>775,975</u>	<u>375,752</u>	<u>33,817,174</u>	<u>-</u>	<u>582,056</u>	<u>-</u>	<u>11,638,197</u>	<u>13,973,702</u>	<u>33,215,452</u>
LIABILITIES									
CURRENT LIABILITIES									
Accrued Expenses	-	-	-	-	854	-	49,786	-	50,640
Accrued Interest Payable	-	-	-	-	-	-	348,395	348,395	-
Due to NJCLASS/FFELP Loan Program	-	-	-	-	46,338,591	-	-	425,212	45,913,379
Due to NJBEST Admin Fund - Current	-	-	-	-	-	-	1,499,489	1,499,489	-
Due to NJCLASS Administrative Fund	-	-	-	-	-	-	1,830,624	-	1,830,624
Due to Guaranty Agency Trust Fund	587,423	-	-	-	-	-	-	-	587,423
Total Current Liabilities	<u>587,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,339,445</u>	<u>-</u>	<u>3,728,294</u>	<u>2,273,096</u>	<u>48,382,066</u>
OTHER LIABILITIES									
Due to NJBEST Admin Fund - Non-Current	-	-	-	-	-	-	11,700,606	11,700,606	-
Total Liabilities	<u>587,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,339,445</u>	<u>-</u>	<u>15,428,900</u>	<u>13,973,702</u>	<u>48,382,066</u>
NET POSITION - RESTRICTED									
Total Liabilities and Net Position	<u>\$ 775,975</u>	<u>\$ 375,752</u>	<u>\$ 33,817,174</u>	<u>\$ -</u>	<u>\$ 582,056</u>	<u>\$ -</u>	<u>\$ 11,638,197</u>	<u>\$ 13,973,702</u>	<u>\$ 33,215,452</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
OTHER HESAA PROGRAMS AND FUNDS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015**

	Federal Collections - Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJ Governor's World Class Economy Scholarship Program	NJCLASS Loan Reserve Fund	Higher Education Assistance- Capital Reserves	NJCLASS Life of Loan Servicing Reserve Fund	Elimination/ Reclassification	Combined Programs and Funds
ASSETS									
CURRENT ASSETS									
Cash	\$ 330,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,282
New Jersey Cash Management Fund	386,488	131,439	14,549,189	1,193	1,428	276,373	2,653,449	-	17,999,559
Fees Receivable	-	19,192	370,240	-	-	-	-	-	389,432
Due from NJCLASS/FFELP Loan Program	-	-	-	-	328,475	-	1,838,983	328,475	1,838,983
Due from Life of Loan - Current	-	-	1,027,755	-	-	-	-	1,027,755	-
Interest Receivable	-	-	184,749	-	-	-	-	184,749	-
Default Collections Receivable	-	-	-	-	164,999	-	106,742	-	271,741
Total Current Assets	<u>716,770</u>	<u>150,631</u>	<u>16,131,933</u>	<u>1,193</u>	<u>494,902</u>	<u>276,373</u>	<u>4,599,174</u>	<u>1,540,979</u>	<u>20,829,997</u>
OTHER ASSETS									
Due from Life of Loan - non-current	-	-	13,931,511	-	-	-	-	13,931,511	-
Total Assets	<u>716,770</u>	<u>150,631</u>	<u>30,063,444</u>	<u>1,193</u>	<u>494,902</u>	<u>276,373</u>	<u>4,599,174</u>	<u>15,472,490</u>	<u>20,829,997</u>
LIABILITIES									
CURRENT LIABILITIES									
Accrued Expenses	-	-	-	-	854	-	52,836	-	53,690
Accrued Interest Payable	-	-	-	-	-	-	184,749	184,749	-
Due to NJCLASS/FFELP Loan Program	-	-	-	-	47,666,734	-	-	328,475	47,338,259
Due to NJBEST Admin Fund - Current	-	-	-	-	-	-	1,027,755	1,027,755	-
Due to NJCLASS Administrative Fund	-	-	-	-	-	-	2,185,040	-	2,185,040
Due to Guaranty Agency Trust Fund	386,488	-	-	-	-	-	-	-	386,488
Total Current Liabilities	<u>386,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,667,588</u>	<u>-</u>	<u>3,450,380</u>	<u>1,540,979</u>	<u>49,963,477</u>
OTHER LIABILITIES									
Due to NJBEST Admin Fund - Non-Current	-	-	-	-	-	-	13,931,511	13,931,511	-
Total Liabilities	<u>386,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,667,588</u>	<u>-</u>	<u>17,381,891</u>	<u>15,472,490</u>	<u>49,963,477</u>
NET POSITION - RESTRICTED	<u>330,282</u>	<u>150,631</u>	<u>30,063,444</u>	<u>1,193</u>	<u>(47,172,686)</u>	<u>276,373</u>	<u>(12,782,717)</u>	<u>-</u>	<u>(29,133,480)</u>
Total Liabilities and Net Position	<u>\$ 716,770</u>	<u>\$ 150,631</u>	<u>\$ 30,063,444</u>	<u>\$ 1,193</u>	<u>\$ 494,902</u>	<u>\$ 276,373</u>	<u>\$ 4,599,174</u>	<u>\$ 15,472,490</u>	<u>\$ 20,829,997</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, 2016**

	Federal Collections - Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJ Governor's World Class Economy Scholarship Program	NJCLASS Loan Reserve Fund	Higher Education Assistance- Capital Reserves	NJCLASS Life of Loan Servicing Reserve Fund	Elimination	Combined Programs and Funds
ADDITIONS									
Trust Receipts									
Defaulted FFELP Loan Receipts	\$ 28,153,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,153,519
Fee Income	-	224,474	4,130,945	-	-	-	14,186,355	12,439,360	6,102,414
Defaulted NJCLASS Loan Receipts	-	-	-	-	5,647,444	-	-	-	5,647,444
Total Trust Receipts	<u>28,153,519</u>	<u>224,474</u>	<u>4,130,945</u>	<u>-</u>	<u>5,647,444</u>	<u>-</u>	<u>14,186,355</u>	<u>12,439,360</u>	<u>39,903,377</u>
Other - Income	-	-	-	-	-	-	9,712,675	-	9,712,675
Parity Release - Income	-	-	-	-	-	-	1,686,724	-	1,686,724
Interest Income - Life of Loan	-	-	584,470	-	-	-	-	584,470	-
Income on Investments	4,106	647	53,315	-	256	121	31,353	-	89,798
Total Additions	<u>28,157,625</u>	<u>225,121</u>	<u>4,768,730</u>	<u>-</u>	<u>5,647,700</u>	<u>121</u>	<u>25,617,107</u>	<u>13,023,830</u>	<u>51,392,574</u>
DEDUCTIONS									
Transfers to Guaranty Agency Trust Funds	28,297,620	-	-	-	-	-	-	-	28,297,620
Transfer to NJCLASS Administrative Fund	-	-	-	-	-	-	12,439,360	12,439,360	-
NJCLASS Defaulted Loans Expense	-	-	-	-	4,232,403	-	-	-	4,232,403
NJCLASS Bond Issue Closing Costs	-	-	-	-	-	-	1,382,000	-	1,382,000
Capital Contribution to NJCLASS/FFELP Bond Issue	-	-	-	-	-	-	2,500,000	-	2,500,000
Program Expense	-	-	1,015,000	-	-	-	-	-	1,015,000
Administrative Expense - Net	1,735	-	-	-	-	-	(3,050)	-	(1,315)
Interest Expense - NJBEST Admin Fund	-	-	-	-	-	-	584,470	584,470	-
Total Deductions	<u>28,299,355</u>	<u>-</u>	<u>1,015,000</u>	<u>-</u>	<u>4,232,403</u>	<u>-</u>	<u>16,902,780</u>	<u>13,023,830</u>	<u>37,425,708</u>
CHANGES IN NET POSITION HELD IN TRUST	(141,730)	225,121	3,753,730	-	1,415,297	121	8,714,327	-	13,966,866
Net Position - Beginning of Year	330,282	150,631	30,063,444	1,193	(47,172,686)	276,373	(12,782,717)	-	(29,133,480)
Assets Transferred	-	-	-	(1,193)	-	(276,494)	277,687	-	-
NET POSITION - END OF YEAR	<u>\$ 188,552</u>	<u>\$ 375,752</u>	<u>\$ 33,817,174</u>	<u>\$ -</u>	<u>\$ (45,757,389)</u>	<u>\$ -</u>	<u>\$ (3,790,703)</u>	<u>\$ -</u>	<u>\$ (15,166,614)</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, 2015**

	Federal Collections - Escrow	Direct Loan Servicing Fund	NJBEST Administrative Fund	NJ Governor's World Class Economy Scholarship Program	NJCLASS Loan Reserve Fund	Higher Education Assistance- Capital Reserves	NJCLASS Life of Loan Servicing Reserve Fund	Elimination	Combined Programs and Funds
ADDITIONS									
Trust Receipts									
Defaulted FFELP Loan Receipts	\$ 28,738,063	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,738,063
Fee Income	-	231,954	4,319,846	-	-	-	13,664,698	12,734,932	5,481,566
Defaulted NJCLASS Loan Receipts	-	-	-	-	4,391,620	-	-	-	4,391,620
Total Trust Receipts	<u>28,738,063</u>	<u>231,954</u>	<u>4,319,846</u>	<u>-</u>	<u>4,391,620</u>	<u>-</u>	<u>13,664,698</u>	<u>12,734,932</u>	<u>38,611,249</u>
Parity Release - Income	-	-	-	-	-	-	2,089,946	-	2,089,946
Interest Income - Life of Loan	-	-	571,440	-	-	-	-	571,440	-
Income on Investments	846	584	17,619	1	38	177	1,959	-	21,224
Total Additions	<u>28,738,909</u>	<u>232,538</u>	<u>4,908,905</u>	<u>1</u>	<u>4,391,658</u>	<u>177</u>	<u>15,756,603</u>	<u>13,306,372</u>	<u>40,722,419</u>
DEDUCTIONS									
Transfers to Guaranty Agency Trust Funds	28,634,584	-	-	-	-	-	-	-	28,634,584
Transfer to NJCLASS Administrative Fund	-	-	-	-	-	-	12,734,932	12,734,932	-
NJCLASS Defaulted Loans Expense	-	-	-	-	4,708,225	-	-	-	4,708,225
NJCLASS Bond Issue Closing Costs	-	1,000,000	-	-	-	-	125,000	-	1,125,000
Capital Contribution to NJCLASS/FFELP Bond Issue	-	-	-	-	-	-	2,739,000	-	2,739,000
Program Expense	-	-	975,000	-	-	-	-	-	975,000
Administrative Expense - Net	3,090	-	-	-	-	-	(7,936)	-	(4,846)
Interest Expense - NJBEST Admin Fund	-	-	-	-	-	-	571,440	571,440	-
Total Deductions	<u>28,637,674</u>	<u>1,000,000</u>	<u>975,000</u>	<u>-</u>	<u>4,708,225</u>	<u>-</u>	<u>16,162,436</u>	<u>13,306,372</u>	<u>38,176,963</u>
CHANGES IN NET POSITION HELD IN TRUST	101,235	(767,462)	3,933,905	1	(316,567)	177	(405,833)	-	2,545,456
Net Position - Beginning of Year	<u>229,047</u>	<u>918,093</u>	<u>26,129,539</u>	<u>1,192</u>	<u>(46,856,119)</u>	<u>276,196</u>	<u>(12,376,884)</u>	<u>-</u>	<u>(31,678,936)</u>
NET POSITION - END OF YEAR	<u>\$ 330,282</u>	<u>\$ 150,631</u>	<u>\$ 30,063,444</u>	<u>\$ 1,193</u>	<u>\$ (47,172,686)</u>	<u>\$ 276,373</u>	<u>\$ (12,782,717)</u>	<u>\$ -</u>	<u>\$ (29,133,480)</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 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, 2016, 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 21, 2016.

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 21, 2016