

**Consolidated Financial Statements  
and Schedule of Expenditures  
of Federal Awards**

**American Student Assistance**

**June 30, 2012 and 2011**



**Mayer Hoffman McCann P.C.**  
**Tofias New England Division**  
An Independent CPA Firm

# AMERICAN STUDENT ASSISTANCE

## *Consolidated Financial Statements and Schedule of Expenditures of Federal Awards*

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Mayer Hoffman McCann P.C.  
Tofias New England Division  
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116  
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

*Independent Auditors' Report*

Board of Directors  
Massachusetts Higher Education Assistance Corporation  
d/b/a American Student Assistance

We have audited the accompanying consolidated statements of financial position of the Agency Operating Fund of Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance ("ASA") as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of ASA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ASA as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012 on our consideration of ASA's 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 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 should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Mayer Hoffman McCann P.C.*

September 20, 2012  
Boston, Massachusetts

**AMERICAN STUDENT ASSISTANCE**  
**Consolidated Statements of Financial Position**

*(Dollars in Thousands)*

*June 30, 2012 and 2011*

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 90,947	\$ 95,260
Certificates of deposit	36,925	42,244
Restricted cash	55	56
Investments	97,719	72,571
Prepaid expenses and deposits	1,980	2,203
Receivables:		
Due from U.S. Department of Education:		
Account maintenance fees	5,406	5,742
Due from the Federal Fund	72,346	1,880
Student loan portfolio, net of allowance for uncollectible loans of \$220 in 2012	408	-
Other receivables	<u>567</u>	<u>295</u>
Total receivables, net	78,727	7,917
Other assets	762	826
Property and equipment, net	<u>12,076</u>	<u>14,275</u>
<b>Total assets</b>	<b>\$ <u>319,191</u></b>	<b>\$ <u>235,352</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 14,629	\$ 15,182
Deferred rent and landlord allowances	5,431	7,253
Pension obligation	33,110	15,346
Other liabilities	<u>4,112</u>	<u>3,317</u>
Total liabilities	<u>57,282</u>	<u>41,098</u>
<b>Unrestricted net assets:</b>		
Board designated net assets	9,153	9,153
Board designated net assets - College Planning Services Program	2,345	-
Undesignated net assets	<u>250,411</u>	<u>185,101</u>
Total unrestricted net assets	<u>261,909</u>	<u>194,254</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>319,191</u></b>	<b>\$ <u>235,352</u></b>

See accompanying notes to the consolidated financial statements.

# AMERICAN STUDENT ASSISTANCE

## *Consolidated Statements of Activities*

*(Dollars in Thousands)*

*For the Years Ended June 30, 2012 and 2011*

	2012	2011
<b>Operating revenues:</b>		
Loan processing and issuance fees	\$ -	\$ 162
Default aversion fees	6,257	10,098
Account maintenance fees	21,982	23,472
Defaulted loan recoveries - net of reimbursement to the U.S. Department of Education:		
Regular collections	15,719	17,035
Consolidation collections	39,389	28,011
Rehabilitation collections	152,003	115,709
Other FFELP related services	3,003	3,258
Interest income	1,240	807
Net realized and unrealized losses on investments	(485)	(189)
	<u>239,108</u>	<u>198,363</u>
<b>Total operating revenues</b>	<b>239,108</b>	<b>198,363</b>
<b>Operating expenses:</b>		
Employee compensation and fringe benefit costs	54,885	50,696
Defaulted loan recovery related services	69,249	56,085
Printing and postage expenses	1,326	1,318
Depreciation and amortization expenses	4,699	4,540
Occupancy and building costs	5,092	5,755
Office expenses	384	463
Professional fees and services	11,002	7,720
Information systems equipment and maintenance	4,165	3,135
Travel and industry related activities	1,615	1,088
Other expenses	1,647	1,365
	<u>154,064</u>	<u>132,165</u>
<b>Total operating expenses</b>	<b>154,064</b>	<b>132,165</b>
<b>Increase in net assets from operating activities</b>	<b>85,044</b>	<b>66,198</b>
(Gains) losses on pension plan	19,200	(8,044)
Non-operating sublease loss	1,196	-
Acquisition net contribution received	(3,007)	-
	<u>67,655</u>	<u>74,242</u>
<b>Change in net assets</b>	<b>67,655</b>	<b>74,242</b>
Net assets, beginning of year	194,254	120,012
	<u>194,254</u>	<u>120,012</u>
<b>Net assets, end of year</b>	<b>\$ 261,909</b>	<b>\$ 194,254</b>
	<u>\$ 261,909</u>	<u>\$ 194,254</u>

See accompanying notes to the consolidated financial statements.

# AMERICAN STUDENT ASSISTANCE

## *Consolidated Statements of Cash Flows*

*(Dollars in Thousands)*

*For the Years Ended June 30, 2012 and 2011*

	<i>2012</i>	<i>2011</i>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 67,655	\$ 74,242
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization expenses	4,699	4,540
Net contributions received in excess of assets received from TERI acquisition	(3,007)	-
Sublease loss	1,196	-
Unrealized and realized losses on investments	485	189
Changes in assets and liabilities:		
Restricted cash	1	7,028
Prepaid expenses and deposits	(274)	(907)
Receivables:		
Loan processing and issuance fees	-	264
Account maintenance fees	336	528
Due from the Federal Fund	(70,466)	10,369
Other receivables	(272)	(15)
Other assets	64	(236)
Accounts payable and accrued expenses	(553)	1,802
Deferred rent and landlord allowances	(1,195)	(789)
Pension obligation	17,764	(4,322)
Other liabilities	675	(6,081)
	<b>17,108</b>	<b>86,612</b>
<b>Net cash provided by operating activities</b>	<b>17,108</b>	<b>86,612</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(129,152)	(187,465)
Sales and maturities of investments	108,838	145,178
Net cash received from TERI asset acquisition	2,719	-
Additions to property and equipment	(3,826)	(5,608)
	<b>(21,421)</b>	<b>(47,895)</b>
<b>Net cash used in investing activities</b>	<b>(21,421)</b>	<b>(47,895)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(4,313)</b>	<b>38,717</b>
Cash and cash equivalents, beginning of year	95,260	56,543
<b>Cash and cash equivalents, end of year</b>	<b>\$ 90,947</b>	<b>\$ 95,260</b>

*See accompanying notes to the consolidated financial statements.*

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### **Note 1 - Organization**

American Student Assistance (“ASA”) assists students in successfully completing a program of higher education financing and repayment. In doing so, ASA provides various loan-related and other services in connection with the financing of higher education and the Federal Higher Education Act of 1965, as amended (the “Act”).

The ASA organization consists of two related companies as described below:

*American Student Assistance* is the trade or “doing business” name of Massachusetts Higher Education Assistance Corporation (“MHEAC”). A not-for-profit organization, ASA provides full-service life-of-the-loan services to borrowers, schools, lenders, guaranty agencies and other participants within the Federal Family Education Loan Program (“FFELP”). Under the Act ASA, as a FFELP guaranty agency, is required to maintain and account for activities within two separate funds; an Agency Operating Fund and a Federal Fund (the “Federal Fund”), which is owned and regulated by the U.S. Department of Education (“ED”). The Agency Operating Fund (the “Operating Fund”) is used to record the financial activities incurred by ASA in fulfilling its corporate mission. On behalf of ED, ASA operates the Federal Fund. The financial activities applicable to the Federal Fund are reported in a separate set of financial statements.

*American Student Assistance Services, Inc.* (“ASA Services”), a wholly-owned for-profit subsidiary of ASA, was established to provide financial and other support services beyond the scope of the Act. This corporation was largely inactive during the reporting periods.

These consolidated financial statements represent the activities of the Operating Fund and ASA Services (collectively referred to as “ASA”). All significant intercompany transactions have been eliminated in consolidation.

As a result of the Student Aid and Fiscal Responsibility Act, which was part of the Health Care and Education Reconciliation Act, no new loans were originated under the FFEL Program beginning July 1, 2010. Accordingly, ASA did not earn loan processing and issuance fees in 2011 or 2012. All new Stafford, PLUS, and Consolidation Loans will come directly from the U.S. Department of Education under the Direct Loan Program. This change does not impact ASA’s commitment of providing wellness and other services to the student borrowers, but it will cause account maintenance fees and default aversion fees to decrease in the long run.

Reduction in revenues mentioned above will be offset by an increase in defaulted loan recoveries revenues driven by a significant historical increase in the guarantor held defaulted loan portfolio in the past few years. ASA’s guarantor held defaulted loan portfolio is \$3.57 billion and \$3.53 billion for the years ended June 30, 2012 and 2011, respectively. ASA has paid claims for \$1.05 billion and \$1.07 billion for the years ended June 30, 2012 and 2011, respectively. The collections curve tends to peak in the second and third year from the claims paid date.

ASA and the Federal Fund operate in a complex regulatory environment that evolves as laws, funding and other factors change over time. While reporting is based on current agreements, there can be no assurance that such will not significantly change in the future which could have a significant effect on ASA and the Federal Fund. ASA is developing new services to assist students and parents in successfully completing a program of education financing and repayment.

# AMERICAN STUDENT ASSISTANCE

## Notes to Consolidated Financial Statements

(Dollars in Thousands)

### Note 1 - Organization (Continued)

On March 15, 2012, ASA signed an asset acquisition agreement with The Education Resources Institute, Inc. ("TERI"). The agreement stated ASA shall purchase, acquire and accept from TERI, all right, title, and interest in and to certain tangible and intangible assets for TERI related to the College Access Activity and the Small Loan Portfolio, in each case free and clear of all Encumbrances except for the Assumed Liability. The transaction settled on June 28, 2012.

A summary of the consideration paid and assets and liabilities purchased were as follows:

	<b>2012</b>
<b>Purchase price:</b>	
Cash paid by ASA	\$ <u>1,300</u>
<b>Fair value of net assets acquired:</b>	
Student loan portfolio	\$ 408
Cash acquired	<u>4,019</u>
Total assets acquired	4,427
Less assumed liabilities	<u>(120)</u>
Fair value of net assets acquired	\$ <u>4,307</u>
Fair value of assets acquired in excess of purchase price (reflected as acquisition net contribution received in the Consolidated Statement of Activities)	\$ <u>3,007</u>

ASA received a net benefit from this transaction in that it has previously provided restricted gifts which were not subject to creditor claims in the TERI bankruptcy. Such assets were provided to ASA given its interest in the continued operation of this program. In connection with the acquisition, certain employees of TERI are now employees by ASA to operate like programs. ASA does not expect these activities to have a significant effect going forward relative to ASA's revenue and expense structure.

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 1 - Organization (Continued)*

#### *Financial Statement Presentation*

ASA's financial statements are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles. ASA's net assets are all unrestricted. The ASA board makes an elective decision to designate certain assets when deemed prudent.

#### *Department of Education Matters*

Under the 1998 amendments to the HEA, ED established a minimum reserve level requirement for the Federal Fund of at least 25 basis points of the total guaranteed principal outstanding. While ASA is not legally obligated to fund any shortfalls in the Federal Fund, ASA has provided significant support in the past to enable the Federal Fund to achieve this level of net assets. During fiscal year 2012, ASA received a letter from ED indicating its reserve level was below these levels at September 30, 2011; in addition, that letter requested a plan relative to the reserve level. ASA has submitted a proposal to ED to provide approximately \$21 million in transfers to the Federal Fund along with certain proposals to speed the reimbursement to the Federal Fund relative to defaulted loan payments. This proposal is being evaluated by ED, and ASA will reflect such contribution upon satisfactory authorization from its board and acceptable negotiations with ED as to the business activities of the Federal Fund.

All dollar amounts, unless otherwise noted, are expressed in thousands.

### *Note 2 - Summary of Significant Accounting Policies*

#### *Cash and Cash Equivalents*

All highly liquid debt instruments, including repurchase agreements, with maturities of three months or less from purchase are considered to be cash equivalents. Repurchase agreements are fully collateralized. ASA monitors its exposure associated with cash in bank deposits and has not experienced any losses in such accounts.

#### *Certificates of Deposit*

Certificates of deposit in excess of three months are held at historic cost plus accrued interest.

#### *Restricted Cash/FASTFUND<sup>SM</sup>*

ASA acts as an escrow agent with respect to cash received from lending institutions for student loans. These funds are generally transferred to borrowers and schools within five days of receipt. The transfer of funds to schools under FASTFUND<sup>SM</sup> is determined by the school's preference. This escrowed cash is not available for general ASA purposes. ASA recorded the escrow funds as restricted cash together with a liability for the same amount in accounts payable and accrued expenses as of June 30, 2012 and 2011. FASTFUND<sup>SM</sup> activities, as it relates to the FFELP, had no new loan origination as of July 1, 2011.

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Investments*

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section.

#### *Receivables*

Receivables are carried at their estimated net realizable value. Receivables are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Provisions for uncollectible accounts on receivables are determined on the basis of loss experience, known and inherent risks and current economic conditions. A significant portion of receivables are due from the U.S. Department of Education and the Federal Fund which management has determined are fully collectible and thus do not require an allowance. In connection with the June 28, 2012 asset acquisition from TERI, ASA received student loan portfolios with a face value of \$628, which has an allowance for doubtful accounts of \$220.

#### *Due from the Federal Fund*

Due from Federal Fund results from default aversion fees billed but not paid, transactions processed on behalf of the Federal Fund and defaulted loan recoveries due to ASA at year end. The balance consists of the following at June 30:

	<i>2012</i>	<i>2011</i>
Past default aversion fees not yet drawn by ASA	\$ 7,900	\$ 7,900
Current default aversion and other amounts due ASA	72,346	1,880
Expected return of previously advanced default aversion fees	<u>(7,900)</u>	<u>(7,900)</u>
<b>Due from the Federal Fund</b>	<b>\$ <u>72,346</u></b>	<b>\$ <u>1,880</u></b>

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation and amortization are recorded using the straight-line method over estimated useful lives of three to ten year periods. Leasehold improvements are amortized over the shorter of useful life or life of the lease. Ordinary repairs and maintenance are charged to expense when incurred. ASA develops its own proprietary software from time to time. ASA capitalizes the direct costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, and testing. Costs incurred during the preliminary project along with post-implementation stages of internal use computer software development are expensed as incurred. Capitalized development costs are generally amortized over three years. Costs incurred to maintain existing software are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

#### *Revenue Recognition*

##### *Loan Processing and Issuance Fee*

ASA was entitled to receive a loan processing and issuance fee (LPIF) from ED in an amount equal to forty one-hundredths of one percent (0.40%) of the amount of disbursed loans guaranteed. This fee was recognized as revenue upon guarantee of the loan. As a result of the Student Aid and Fiscal Responsibility Act, which was attached to the Health Care and Reconciliation Act, no new loans were issued to ASA as of July 1, 2010; therefore, no new revenue was recorded for the year ended June 30, 2012. The Loan Processing and Issuance Fee revenue recorded for the year ended June 30, 2011 is based on a true-up from the Department of Education.

##### *Default Aversion Fee*

The Federal Fund is responsible for payment of a default aversion fee to ASA equal to 1% of the balance of the principal and interest on loans associated with first-time pre-claims assistance requested by lenders. ASA is allowed to withdraw this fee monthly from the Federal Fund. The payment is forfeited should the loan associated with the pre-claim assistance ultimately default. Accordingly, default aversion fee expenses are recognized based on pre-claims assistance requests less the estimated amount of ultimate defaults which would revert to the Federal Fund.

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Revenue Recognition (Continued)*

##### *Account Maintenance Fee*

ASA receives portfolio maintenance fees from the Department of Education based upon the original principal balance of loans in its loan portfolio. These fees are calculated at six one-hundredths of one percent (0.06%) annually. This fee has been recognized as income as earned.

##### *Defaulted Loan Recoveries*

ASA is entitled to retain a portion of defaulted loan collections for which federal reinsurance or reimbursement has been received. ASA records income when the related claim to the Department of Education is paid, as management considers the earnings process complete at that time. Regular collections earn a 16% fee on cash collected. Consolidated loan collections earn a net fee of 10% of borrower principal and accrued interest. Rehabilitation which are sold receive a fee of 18.5% of the original loan balance plus 100% of collection costs and accrued interest associated with the loan, which revenue is recognized upon sale.

##### *Other FFELP Related Services*

Included in Other FFELP Related Services are fees earned from:

- (i) other FFELP guaranty agencies for providing business processing and information technology services in support of their FFELP activities. For these services, ASA earned \$3,295 and \$3,345 for the years ended June 30, 2012 and 2011, respectively.
- (ii) all other FFELP related activities earned \$292 and \$87 for the years ended June 30, 2012 and 2011, respectively.

As a component of ASA's full service agreement with the Missouri Department of Higher Education ("MDHE"), ASA provides payment processing services on behalf of MDHE with respect to cash received for collections on defaulted student loans. These funds are deposited directly into MDHE accounts on a daily basis and therefore are not reflected in ASA's consolidated financial statements given the agency nature of these transactions. The contract for MDHE is valid through June 2013.

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Income Tax Status*

ASA is recognized by the Internal Revenue Service as an organization described under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes on related income. ASA Services is a for-profit subsidiary that is currently inactive. Given the limited taxable activities of ASA, management concluded that disclosures relative to tax provisions are not necessary.

#### *Uncertain Tax Positions*

ASA accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. ASA has identified its tax status as a tax-exempt entity and its presentation of certain net operating loss carryforwards as its only significant tax positions; however, ASA has determined that its position relative to tax status does not result in an uncertainty requiring recognition. The position on loss carryforwards is uncertain and thus such carryforwards have not been recognized as tax assets. ASA is not currently under examination by any taxing jurisdiction. ASA’s Federal and state tax returns are generally open for examination for three years following the date filed.

#### *Fair Value Measurements*

ASA reports certain assets and liabilities at fair value on a recurring and non recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include ASA’s investment accounts. ASA does not have any non recurring measures. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards require ASA to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Fair Value Measurements (Continued)*

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these consolidated financial statements. For more information on the fair value of ASA's financial instruments, see Note 3 - Investments and Fair Value Measurements.

#### *Use of Estimates*

The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant management estimates included in the financial statements relate to the reserve for contingencies, measurement of the actuarial obligations for defined benefit plan and useful lives of depreciable assets.

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Deferred Rent and Landlord Allowances*

Lease incentives are amortized over the term of the lease on a straight-line basis. Rent expense is also recorded on a straight-line basis to account for the effects of free rent and changes in lease rates over the lease term. Sublease income is recorded on a straight-line basis and the resulting asset/liability is included within the deferred rent and landlord allowance. Losses on subleases are recognized when incurred.

#### *Pension Obligation*

ASA has a defined benefit pension plan (the "Plan") covering substantially all of its employees. Contributions to the Plan are intended to provide not only for benefits attributed to service to date but also for those benefits expected to be earned in the future. The benefits are based on years of service and the employee's average earnings in the three highest consecutive calendar years during the last ten years prior to the date of termination of employment. Expenses and obligations under the Plan are actuarially determined.

#### *Allocation of Functional Expenses*

The cost of providing various programs and other activities has been summarized on a functional basis in the Consolidated Statements of Activities. Costs have been allocated to functional classifications based on percentage of effort, usage, square footage and other criteria.

#### *Subsequent Events*

ASA is currently negotiating with another organization to acquire certain assets and liabilities which effectively constituted one of the ongoing programs of this entity which ASA believes will complement ASA's current mission and activities. ASA and this entity have agreed generally on consideration of \$1.5 million dollars for such tangible and intangible assets, contingent upon contract negotiation and board approvals. Additionally, it is anticipated that the agreement will provide for certain resources to be transferred to ASA associated with the financial affairs of the seller. ASA has existing liquidity and resources to effectuate this transaction based on its financial resources. Management does not expect the revenues or expenses of this activity to have a significant impact on future operations.

ASA has evaluated events and transactions through September 20, 2012, which is the date the consolidated financial statements were issued.

#### *Reclassifications*

Certain 2011 balances have been reclassified to conform to the 2012 presentation.

# AMERICAN STUDENT ASSISTANCE

## Notes to Consolidated Financial Statements

(Dollars in Thousands)

### Note 3 - Investments and Fair Value Measurements

Investments of \$97,719 and \$72,571 as of June 30, 2012 and 2011, respectively, are measured at fair value on estimated market prices using current market interest rate data and therefore are classified as Level 2 inputs under the fair value hierarchy guidance.

Fair values of financial instruments for which ASA did not elect the fair value option includes cash and cash equivalents, certificates of deposit, restricted cash, receivables and accounts payable. Management believes the carrying value approximates the fair value of these items given the short-term nature of these instruments.

The fair value of investments consists of the following at June 30:

	<i>2012</i>	<i>2011</i>
Other debt securities	\$ 3,566	\$ -
U.S. Government agencies securities	<u>94,153</u>	<u>72,571</u>
<b>Investments</b>	<b>\$ <u>97,719</u></b>	<b>\$ <u>72,571</u></b>

At June 30, 2012, a total of \$7,505 of securities are pledged to secure a letter of credit with a bank, which was used to secure the lease associated with ASA's primary facility as well as activities related to the Missouri Department of Higher Education (MDHE). Such letter of credit expires on April 2013.

The following summarizes the investment return for the years ended June 30:

	<i>2012</i>	<i>2011</i>
Investment return:		
Interest and dividends	\$ 1,227	\$ 772
Net realized and unrealized losses on investments	<u>(485)</u>	<u>(189)</u>
<b>Investment return</b>	<b>\$ <u>742</u></b>	<b>\$ <u>583</u></b>

# AMERICAN STUDENT ASSISTANCE

## Notes to Consolidated Financial Statements

(Dollars in Thousands)

### Note 4 - Property and Equipment

Property and equipment consists of the following at June 30:

	<i>2012</i>	<i>2011</i>
Computer software systems	\$ 20,708	\$ 17,168
Equipment	11,072	12,452
Furniture and fixtures	2,163	2,746
Leasehold improvements	9,510	12,025
Total property and equipment	<u>43,453</u>	<u>44,391</u>
Less accumulated depreciation and amortization	<u>(31,377)</u>	<u>(30,116)</u>
<b>Net property and equipment</b>	<b>\$ <u>12,076</u></b>	<b>\$ <u>14,275</u></b>

Depreciation and amortization expense was \$4,699 and \$4,540 for the years ended June 30, 2012 and 2011, respectively.

For the years ended June 30, 2012 and 2011, ASA capitalized software development costs of \$3,487 and \$4,529, respectively. As of June 30, 2012 and 2011, unamortized capitalized software costs totaled \$5,360 and \$4,462, respectively.

### Note 5 - Functional Expenses

Operating expenses have been presented in the Consolidated Statements of Activities according to natural classification. Presented below are operating expenses reclassified according to functional classification as of June 30:

	<i>2012</i>	<i>2011</i>
Borrower services	\$ 85,553	\$ 70,646
Product development and school services	23,177	16,135
Information technology support	29,236	27,689
General and administrative support	<u>16,098</u>	<u>17,695</u>
<b>Total operating expenses</b>	<b>\$ <u>154,064</u></b>	<b>\$ <u>132,165</u></b>

## AMERICAN STUDENT ASSISTANCE

### *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

#### *Note 6 - Employee Benefit Plans*

##### *Defined Benefit Plan*

ASA has a defined benefit pension plan (the “Plan”) which covers substantially all employees. Benefits under the Plan are based on the employees’ earnings before retirement and years of service. The funding policy provides for employer contributions satisfying minimum funding requirements in accordance with the Employee Retirement Income Security Act of 1974 (“ERISA”) guidelines or such higher amounts as approved by the Compensation Committee of the Board of Directors. ASA recognizes in the Consolidated Statements of Financial Position the overfunded or underfunded status of the Plan, measured as the difference between the fair value of Plan assets and the projected benefit obligation. ASA recognizes the change in the funded status of the Plan in the year in which the change occurs through the Consolidated Statements of Activities. The normal pension expense of \$4,123 and \$5,327 is reflected in employee compensation and fringe benefits in the Consolidated Statements of Activities for 2012 and 2011, respectively.

Selected financial data related to the Plan’s valuation are as follows at June 30:

	<i>2012</i>	<i>2011</i>
Projected benefit obligation	\$ 73,916	\$ 51,113
Fair value of plan assets	<u>40,806</u>	<u>35,767</u>
Accrued pension liability	<u>\$ 33,110</u>	<u>\$ 15,346</u>
Accumulated benefit obligation	\$ 53,442	\$ 36,997
Pension expense	<u>\$ 4,123</u>	<u>\$ 5,327</u>
Employer contributions	<u>\$ 5,559</u>	<u>\$ 1,606</u>
Benefits paid to participants	<u>\$ 470</u>	<u>\$ 375</u>

Amounts recognized in unrestricted net assets consist of the following at June 30:

	<i>2012</i>	<i>2011</i>
Prior service cost	\$ 54	\$ 67
Net loss	<u>29,540</u>	<u>10,327</u>
<b>Total</b>	<b><u>\$ 29,594</u></b>	<b><u>\$ 10,394</u></b>

# AMERICAN STUDENT ASSISTANCE

## Notes to Consolidated Financial Statements

(Dollars in Thousands)

### Note 6 - Employee Benefit Plans (Continued)

#### Defined Benefit Plan (Continued)

Other changes in Plan assets and benefit obligations recognized in unrestricted net assets:

	<i>2012</i>	<i>2011</i>
Net (gain) loss	\$ 19,749	\$ (6,615)
Amortization of prior service cost	(13)	(13)
Amortization of net loss	<u>(536)</u>	<u>(1,416)</u>
<b>Total amount recognized in unrestricted net assets</b>	<b>\$ <u>19,200</u></b>	<b>\$ <u>(8,044)</u></b>
<b>Total expense recognized for plan</b>	<b>\$ <u>23,323</u></b>	<b>\$ <u>7,652</u></b>

The estimated net loss and prior service cost for the Plan that will be amortized from unrestricted net assets into net periodic pension cost over the next fiscal year are \$2,282 and \$13, respectively.

The following assumptions were used to determine benefit obligations for the years ended June 30:

	<i>2012</i>	<i>2011</i>
Weighted average discount rate	4.23%	5.60%
Long-term return on plan assets	7.00%	7.50%
Compensation increase rate	5.50%	5.50%

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 6 - Employee Benefit Plans (Continued)*

#### *Estimated Future Benefit Payments*

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2013	\$	720
2014		853
2015		990
2016		1,180
2017		1,411
Thereafter		10,559

The Plan assets as of June 30, 2012 consist of the following:

<i>Description</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Cash equivalents	\$ 995	\$ -	\$ -	\$ 995
Mutual funds:				
U.S. equity	16,185	-	-	16,185
International equity	11,631	-	-	11,631
Fixed income intermediate	11,588	-	-	11,588
Fixed income short-term	407	-	-	407
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b>\$ 40,806</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,806</b>

The Plan assets as of June 30, 2011 consist of the following:

<i>Description</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Cash equivalents	\$ 798	\$ -	\$ -	\$ 798
Mutual funds:				
U.S. equity	14,154	-	-	14,154
International equity	10,744	-	-	10,744
Fixed income intermediate	7,197	-	-	7,197
Fixed income short-term	2,874	-	-	2,874
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b>\$ 35,767</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,767</b>

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 6 - Employee Benefit Plans (Continued)*

#### *Estimated Future Benefit Payments (Continued)*

The Plan generally follows an investment strategy based upon a target portfolio allocation of 70% equity positions and 30% fixed income positions, including cash. Execution of the strategy is achieved following a dollar-cost-averaging approach utilizing certain approved mutual funds as investment vehicles. The goal of the target portfolio allocation is to conservatively position the Plan's assets in the financial markets taking the Plan's investment horizon and upcoming liabilities into full consideration. The target portfolio allocation provides for long-term capital appreciation, offered by equity securities, while lessening portfolio risk and providing down-side protection via fixed income securities. The Plan's long-term investment return assumption of 7.0% is based upon long-term historical market returns consistent with the Plan's target portfolio allocation.

ASA expects to contribute \$2,179 to the Plan in fiscal year 2013.

#### *Defined Contribution Plan, Section 401(a)*

ASA has a discretionary retirement incentive plan under Section 401(a) of the Internal Revenue Code, which covers substantially all of its employees. ASA's anticipated contribution is calculated as a percent of employees' gross earnings. ASA's anticipated contribution for the year ended June 30, 2012 is \$1,577 (4% of gross earnings). For the year ended June 30, 2011, a contribution of \$1,304 was made.

#### *Defined Contribution Plan, Section 403(b)*

ASA has a tax-deferred annuity plan covering substantially all of its employees under Section 403(b) of the Internal Revenue Code. Contributions into this plan are not funded or matched by ASA, but are elective deferrals by employees.

#### *Deferred Compensation Plan, Section 457(b)*

ASA has a deferred compensation plan covering senior management personnel under Section 457(b) of the Internal Revenue Code. The plan document describes the terms of vesting and ultimate withdrawal of the assets. The assets and a corresponding liability of \$762 and \$826 are included in other assets and other liabilities as of June 30, 2012 and 2011, respectively. Contributions into this plan are not funded or matched by ASA, but are elective deferrals by employees.

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 7 - Income Taxes*

ASA had net operating loss carryforwards in excess of \$20,000 at June 30, 2012 and 2011, respectively, resulting from certain activities related to the Missouri Department of Higher Education (MDHE) that is considered unrelated business activity. ASA entered into a service contract in October 2002 with MDHE and receives fees for providing services including originating, payment processing and servicing student loans. Despite the considerable expertise and effort ASA acquired as a result of performing its exempt activities, ASA has been unable to realize taxable income on its business activities with MDHE each taxable year. The net operating losses begin to expire in 2022. Management has determined net operating loss carryforwards are more likely than not disallowed upon examination; therefore deferred tax assets have not been recognized.

### *Note 8 - Commitments and Contingencies*

#### *Office Space Lease*

ASA has a lease for the office space for its primary operating facility that runs through 2019. The lease includes a provision for renewal options after the initial 15 year term.

The lease agreement includes rent escalation for certain increases in operating costs as is customary with operating leases. Rent expense and sublease rental income is recorded on the straight-line basis over the lease term. In the event of a loss on a sublease, the loss is recognized upon the signing of the sublease. The net effect of the straight-line recognition is a deferred liability of \$5,431 and \$7,253 as of June 30, 2012 and 2011, respectively.

In connection with the asset acquisition of TERI, ASA has acquired a lease for office space which runs through June 2016. This lease space will be used to support the college planning programs previously operated by TERI.

Minimum annual lease and sublease payments are as follows:

	<i>Base</i>	<i>Sublease</i>	<i>Net</i>
2013	\$ 4,658	\$ (1,245)	\$ 3,413
2014	4,682	(1,245)	3,437
2015	4,949	(1,245)	3,704
2016	4,912	(1,245)	3,667
2017	4,927	(1,245)	3,682
Thereafter	<u>9,443</u>	<u>(2,386)</u>	<u>7,057</u>
	<u>\$ 33,571</u>	<u>\$ (8,611)</u>	<u>\$ 24,960</u>

# AMERICAN STUDENT ASSISTANCE

## *Notes to Consolidated Financial Statements*

*(Dollars in Thousands)*

### *Note 8 - Commitments and Contingencies (Continued)*

#### *Contingencies*

In the ordinary course of business, ASA faces litigation, claims and related matters. Management does not expect that the outcome of any of these matters would have a material adverse impact on operations. Additionally, ASA is subject to ED oversight and audit that at times may result in program issues and potential liabilities payable to ED. The issues relate to possible violations of rules and regulations established by ED to administer the federal loans program. Management diligently attempts to interpret ED's rules and regulations and believes that its implementation of policies and procedures properly adheres to those rules and regulations.

*Supplemental Information*

**AMERICAN STUDENT ASSISTANCE**  
**Schedule of Expenditures of Federal Awards**

*For the Year Ended June 30, 2012*

*(Dollars in Thousands)*

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award Receivable/ (Payable) July 1, 2011</u>	<u>July 1, 2011 through June 30, 2012 Activity Due from (to) ED</u>	<u>July 1, 2011 through June 30, 2012 (Receipts)/ Payments</u>	<u>Federal Award Receivable/ (Payable) June 30, 2012</u>	<u>Total Expenditures of Federal Awards</u>
U.S. Department of Education ("ED"):						
Federal Family Education Loans (Guaranty Agencies)	84.032					
Due from ED:						
Loan processing and issuance fees		\$ 5,742	\$ 21,982	\$ (22,319)	\$ 5,405	
Advance for claims		<u>60,928</u>	<u>1,192,386</u>	<u>(1,090,965)</u>	<u>162,349</u>	
Total due from ED		<u>66,670</u>	<u>1,214,368</u>	<u>(1,113,284)</u>	<u>167,754</u>	
Due to ED:						
Program recoveries		<u>(45,527)</u>	<u>(519,684)</u>	<u>470,954</u>	<u>(94,257)</u>	
Total due to ED		<u>(45,527)</u>	<u>(519,684)</u>	<u>470,954</u>	<u>(94,257)</u>	
Total		<u>\$ 21,143</u>	<u>694,684</u>	<u>\$ (642,330)</u>	<u>\$ 73,497</u>	
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u><u>694,684</u></u></b>			<b>\$ <u><u>694,684</u></u></b>

# AMERICAN STUDENT ASSISTANCE

## *Notes to Schedule of Expenditures of Federal Awards*

*For the Year Ended June 30, 2012*

### ***Note 1 - Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Agency Operating Fund for Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance (“ASA”) under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of The Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of ASA, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of ASA.

### ***Note 2 - Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*Reporting Under Government Auditing Standards*



Mayer Hoffman McCann P.C.  
Tofias New England Division  
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116  
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ [www.cbiztofias.com](http://www.cbiztofias.com)

*Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards*

Board of Directors  
Massachusetts Higher Education Assistance Corporation  
d/b/a American Student Assistance

We have audited the consolidated financial statements of the Agency Operating Fund for Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance (“ASA”) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control over Financial Reporting*

Management of ASA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered ASA’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ASA’s internal control over financial reporting.

*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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

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



*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether ASA's consolidated 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*.

This report is intended solely for the information and use of the Board of Directors, management and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

September 20, 2012  
Boston, Massachusetts

***Reporting Under OMB Circular A-133***



Mayer Hoffman McCann P.C.  
Tofias New England Division  
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116  
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

*Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control  
over Compliance in Accordance with OMB Circular A-133*

Board of Directors  
Massachusetts Higher Education Assistance Corporation  
d/b/a American Student Assistance

*Compliance*

We have audited the Agency Operating Fund of Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance's ("ASA") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on ASA's major federal program for the year ended June 30, 2012. ASA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of ASA's management. Our responsibility is to express an opinion on ASA's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ASA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of ASA's compliance with those requirements.

In our opinion, ASA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

*Internal Control over Compliance*

Management of ASA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ASA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ASA's internal control over compliance.



*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, management and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffmann McCann P.C.*

September 20, 2012  
Boston, Massachusetts

**AMERICAN STUDENT ASSISTANCE**

***Schedule of Findings and Questioned Costs***

***For the Year Ended June 30, 2012***

***Section 1***

***Summary of Auditor's Results***

**Financial Statements**

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued:                          | Unqualified   |
| 2. Internal control over financial reporting:                |               |
| a. Material weaknesses identified?                           | No            |
| b. Significant deficiencies identified?                      | None Reported |
| 3. Noncompliance material to the financial statements noted? | No            |

**Federal Awards**

- |   |               |
|---|---------------|
| 1. Internal control over major programs:  |               |
| a. Material weaknesses identified?  | No            |
| b. Significant deficiencies identified?   | None Reported |
| 2. Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No            |

4. Identification of major programs:

**CFDA Number**

84.032

**Name of Federal Program**

Federal Family Education Loans  
(Guaranty Agencies)

- |   |             |
|---|-------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$2,084,052 |
| 6. Auditee qualified as a low-risk auditee?                                 | Yes         |

# AMERICAN STUDENT ASSISTANCE

## *Schedule of Findings and Questioned Costs*

*For the Year Ended June 30, 2012*

### *Section 2*

#### **Financial Statement Findings**

None.

### *Section 3*

#### **Federal Award Findings and Questioned Costs**

None.

### *Section 4*

#### **Summary Schedule of Prior Year Findings**

##### **2011-1**

Finding – Special Tests and Provisions: Current Records; Federal Family Education Loans (Guarantee Agencies); CFDA #84.032; June 30, 2011 Award Year; U.S. Department of Education

##### Condition Found:

Out of 40 items selected for testing, 15 records were not updated within 10 business days.

##### Status:

ASA uploads records once a month. Since all data is updated each month before any financial statement computations are made or any submission to the Department of Education, there is no financial statement impact. Accordingly, management considers this matter to not have ongoing significance and thus it is considered resolved.