

**RHODE ISLAND HIGHER EDUCATION
ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE
OF RHODE ISLAND)**

YEAR ENDED JUNE 30, 2005



RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

YEAR ENDED JUNE 30, 2005

CONTENTS

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Financial statements:	
Statement of net assets	9-10
Statement of revenues, expenses and changes in net assets	11-12
Statement of cash flows	13-14
Statement of fiduciary net assets	15
Statement of changes in fiduciary net assets	16
Notes to financial statements	17-35
Independent Auditors' Report on Accompanying Information	36
Accompanying information to financial statements:	
Schedule 1 - Schedule of Agency Operating Fund travel expenses	37-40
Schedule 2 - Schedule of Scholarship and Grant Operating Fund travel expenses	41
Schedule 3 - Schedule of RIHEST Administrative Fund travel expenses	42



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.
Certified Public Accountants / Business Consultants

Principals
Jerome L. Lefkowitz, CPA
Stephen M. Garfinkel, CPA
Frank J. Champi, CPA
Richard J. DeRienzo, CPA
Jerrold N. Dorfman, CPA, PFS
Peter Mezei, CPA
Stephen W. Geremia, CPA
Susan R. Johnson, CPA
Michael E. Criscione, CPA
John E. Finnerty, Jr., CPA

Independent Auditors' Report

Board of Directors
Rhode Island Higher Education
Assistance Authority
Warwick, Rhode Island

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of the Rhode Island Higher Education Assistance Authority (the Authority), a Component Unit of the State of Rhode Island, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Rhode Island Higher Education Assistance Authority as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2005 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 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 audit.

Independent Auditors' Report (Continued)

Board of Directors
Rhode Island Higher Education
Assistance Authority

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Leffowitz, Jurek, Cianci & DeGuzo P.C.

September 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Rhode Island Higher Education Assistance Authority's (RIHEAA) operations and financial results is intended to provide readers with information which will assist them in understanding and evaluating RIHEAA's financial statements as of and for the year ended June 30, 2005. The MD&A consists of an introduction section, and a financial highlights and comparative analysis section. The introduction outlines RIHEAA's programs and operations and provides information about the presentation of the financial statements. The financial highlights and comparative analysis section focuses on significant items disclosed within RIHEAA's financial statements or affecting its financial condition. The MD&A should be read in conjunction with the financial statements, notes to financial statements and accompanying information that follows.

Introduction

RIHEAA is a public corporation established July 1, 1977 by an act of the Rhode Island General Assembly and has a distinct legal existence from the State of Rhode Island. It was created to administer financial assistance programs to expand access to and choice among post-secondary education opportunities for Rhode Islanders. Functionally, and for management financial reporting purposes, RIHEAA's activities are organized into three divisions which administer respectively, the Scholarship and Grant Program, the Tuition Savings Program, and the Federal Family Education Loan (FFEL) Program.

The Scholarship and Grant Division administers various student financial assistance programs funded by general revenue appropriations from the State of Rhode Island, as well as by funds received from the U.S. Department of Education and funds derived from other sources. These programs include the Rhode Island State Scholarship/Grant Program, the Federal LEAP/SLEAP Programs, and the Tuition Savings Scholarship/Grant Programs.

The Tuition Savings Program Division administers the activities of the Rhode Island Higher Education Savings Trust (RIHEST), Rhode Island's IRS Section 529 qualified state tuition savings program, which does business under the name *CollegeBoundfund*®. RIHEST is a separate legal entity created by RIHEAA pursuant to an act of the Rhode Island General Assembly. RIHEST is comprised of two funds: (1) the Tuition Savings Program Fund (the Program Fund), which holds *CollegeBoundfund*® participants' assets as a private purpose trust fund, and (2) an Administrative Fund, the use of which is contractually restricted to RIHEST administrative expenses and student financial assistance programs authorized by the RIHEAA Board of Directors. The Program Fund is managed by Alliance Capital Management, L.P. under an agreement between RIHEAA, the State Investment Commission, and Alliance Capital. Revenues of the Administrative Fund are derived principally from fees paid by non-Rhode Island participants in the Program Fund.

The Loan Division (FFEL Program Guaranty Agency) provides services that assist students and their parents in financing higher education expenses with guaranteed student loans. The financial transactions of the Loan Division are segregated into the Federal Student Loan Reserve Fund (Federal Fund) and the Guaranty Agency Operating Fund (AOF), pursuant to the provisions and restrictions of the 1998 reauthorization of the Higher Education Act. RIHEAA administers the Federal Fund on behalf of the U.S. Department of Education (DE). The AOF principally accounts for the administrative activities related to the operations of the FFEL Program.

RIHEAA engages only in business-type activities, that is, activities that are financed in whole or in part by fees charged to external users, and fiduciary activities. As a result, RIHEAA's basic financial statements include: the statement of net assets; the statement of revenues, expenses and changes in net assets; the statement of cash flows; the statement of fiduciary net assets; the statement of changes in fiduciary net assets; and notes to the financial statements.

The financial statements (except for the statement of fiduciary net assets and the statement of changes in fiduciary net assets) reflect an “Operating Fund” and a “Scholarship and Grant Fund.” The “Operating Fund” includes the administrative expenses associated with the State Scholarship/Grant Program as well as all transactions of the RIHEST Administrative Fund and the AOF. The “Scholarship and Grant Fund” includes transactions for scholarship/grant awards to students and the State’s membership assessment for the New England Regional Student Program. The statement of fiduciary net assets is provided for the Program Fund and the Federal Fund. The statement of changes in fiduciary net assets is provided for the Program Fund.

Financial Highlights and Comparative Analysis

The tables in each section below reflect three years of historical financial data. However, the related discussion only addresses the changes from FY 2004 to FY 2005.

	<u>Net Assets</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Fund	\$ 20,717,000	\$ 21,499,000	\$ 17,093,000
Scholarship and Grant Fund	<u>3,595,000</u>	<u>3,340,000</u>	<u>2,279,000</u>
Total Agency	<u>\$ 24,312,000</u>	<u>\$ 24,839,000</u>	<u>\$ 19,372,000</u>

RIHEAA’s total net assets at June 30, 2005 were just over \$24.3 million, a decrease of \$527,000 from the previous year. The change in net assets is made up of a decrease in the Operating Fund of \$782,000 and an increase in the Scholarship and Grant Fund of \$255,000. All of the assets within the Scholarship and Grant Fund are restricted for use in the Academic Promise Scholarship Program and 5 & 10 Matching Grant Program. These funds are invested in the Program Fund on behalf of Academic Promise Scholarship recipients and to provide matching funds for low-income individuals who qualify in the 5 & 10 Matching Grant Program. The net assets of the Operating Fund consist of just under \$1.4 million invested in capital assets, just under \$14.4 million which is restricted by federal statute to the uses of the AOF, and nearly \$5 million which is designated by the Board of Directors for Program Fund administration and student financial assistance purposes. Assets include over \$8.2 million in cash and cash equivalents, and more than \$18.5 million in investments, including the Academic Promise Scholarship and 5 & 10 Matching Grant Program amounts.

The largest single liability in the Operating Fund represents a transfer payable to the Federal Fund of just over \$3 million for the settlement of asset ownership issues. Under the 1998 reauthorization of the Higher Education Act, guaranty agencies were required to establish the Federal Fund, effective October 1, 1998. Therefore, the Authority calculated the cash and investments attributable to non-FFEL Program sources plus an allocation of investment activity through October 1, 1998. In addition, the Authority's management believed its building and loans receivable should also be property of the Authority because of the timing of their acquisition and the provisions of certain enacted laws of the Higher Education Act. The Authority provided the DE with a proposal which included this separation of the funds. The DE has accepted the Authority’s calculation of cash and investments attributable to non-FFEL Program sources. However, the DE has required payment from the AOF to the Federal Fund for the retention of the building and loans receivable. Accordingly, the Authority recorded the transfer payable to the Federal Fund for the building and loans receivable, and the payment was made to the Federal Fund on August 31, 2005.

Operating Fund Revenues

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Loan Division:			
Collections-Based Revenue	\$ 6,308,000	\$ 7,052,000	\$ 3,953,000
AMF, LPIF & DAF	2,837,000	2,737,000	2,638,000
Interest and Other	554,000	257,000	622,000
Total Loan Division	<u>9,699,000</u>	<u>10,046,000</u>	<u>7,213,000</u>
RIHEST Administrative Fund:			
Program Fund Fees	5,829,000	5,521,000	4,361,000
Interest and Other	334,000	267,000	269,000
Total RIHEST Administrative Fund	<u>6,163,000</u>	<u>5,788,000</u>	<u>4,630,000</u>
Scholarship and Grant Division	<u>812,000</u>	<u>893,000</u>	<u>853,000</u>
Total Operating Fund	<u><u>\$ 16,674,000</u></u>	<u><u>\$ 16,727,000</u></u>	<u><u>\$ 12,696,000</u></u>

Revenues in the Loan Division totaled just under \$9.7 million in FY 2005, down \$347,000 from FY 2004. Collections-based revenue (from recoveries, consolidations, and rehabilitations of defaulted student loans) totaled just over \$6.3 million in the current year as compared to just under \$7.1 million in FY 2004. This decrease is primarily due to a smaller portfolio of defaulted loans available for collection during FY 2005 compared to FY 2004. (It is important to note that the significant increase in this source of revenue from FY 2003 to FY 2004 can be attributed to several factors, including an increase in the portfolio of defaulted loans and the significant benefits of RIHEAA's agreement with Sallie Mae to provide default portfolio management services.) The other major sources of income in the Loan Division are received from DE and consist of:

- Account Maintenance Fees (AMF), which were \$1.4 million in FY 2005 vs. almost \$1.2 million in FY 2004 (this fee is paid on the outstanding amount of RIHEAA's guaranteed loans, which increased during FY 2005).
- Loan Processing Issuance Fees (LPIF), which declined from nearly \$1.1 million in FY 2004 to \$890,000 in FY 2005 (although the volume of loans processed increased, the payment rate for this fee was reduced from 0.65% to 0.40% during FY 2004, and FY 2005 represents the first full year at the reduced rate).
- Default Aversion Fees (DAF), which increased from \$460,000 in FY 2004 to \$550,000 in FY 2005 (these fees are paid based on the volume of loans delinquent between 60 and 120 days for which lenders submit a request for assistance).

Also, interest income in the Loan Division improved from \$118,000 in FY 2004 to \$377,000 in FY 2005 as a result of both higher interest rates and higher balances of funds invested.

Revenues in the RIHEST Administrative Fund increased from just under \$5.8 million in FY 2004 to nearly \$6.2 million in the current year. Account maintenance fees (fees paid by non-Rhode Island participants in *CollegeBoundfund*®), which represent the major source of income, were nearly \$4.3 million in FY 2005, \$250,000 higher than FY 2004. Although revenues in this fund have grown each year, the rate of growth has slowed, and management believes that the increases realized in recent years are unlikely to be sustained. This trend is not specific to RIHEAA's program, and has been noted as well in other programs throughout the country.

Scholarship and Grant Division revenues were down from \$893,000 in FY 2004 to just under \$812,000 in FY 2005. These amounts, which were subject to a 10% cut mandated by the State budget office in FY 2005, represent the portion of the State appropriation allocated for operating expenses incurred in the administration of the State Scholarship/Grant program.

Operating Fund Expenses

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Loan Division:			
Collection and Default Aversion	\$ 3,360,000	\$ 3,734,000	\$ 1,746,000
Personnel Expenses	2,266,000	1,970,000	1,863,000
Sallie Mae Guarantee Services	1,227,000	946,000	841,000
Other Expenses	<u>756,000</u>	<u>810,000</u>	<u>653,000</u>
Total Loan Division	<u>7,609,000</u>	<u>7,460,000</u>	<u>5,103,000</u>
RIHEST Administrative Fund:			
Marketing and Promotion	399,000	591,000	500,000
Personnel Expenses	74,000	41,000	105,000
Other Expenses	<u>41,000</u>	<u>38,000</u>	<u>52,000</u>
Total RIHEST Administrative Fund	<u>514,000</u>	<u>670,000</u>	<u>657,000</u>
Scholarship and Grant Division:			
Personnel Expenses	493,000	592,000	586,000
Other Expenses	<u>319,000</u>	<u>301,000</u>	<u>267,000</u>
Total Scholarship and Grant Division	<u>812,000</u>	<u>893,000</u>	<u>853,000</u>
Transfers to Scholarship and Grant Fund	<u>5,458,000</u>	<u>3,298,000</u>	<u>2,710,000</u>
Total Operating Fund Expenses	<u>\$ 14,393,000</u>	<u>\$ 12,321,000</u>	<u>\$ 9,323,000</u>

Expenses in the Loan Division totaled just over \$7.6 million in FY 2005, up \$149,000 from FY 2004. Within the category of collection and default aversion expenses, commissions paid to collection agencies were just under \$2.2 million in FY 2005, about \$167,000 less than in the prior year. In addition to commissions paid to collection vendors, a portfolio management fee of just over \$800,000 was paid to Sallie Mae in 2005, down from the FY 2004 amount of \$1 million. The reduction in these collection related expenses are the result of lower overall collection revenues. Fees paid for default aversion and prevention activities were up slightly at \$390,000 in the current year vs. approximately \$360,000 in the previous year. These fees are based on the vendor's ability to bring delinquent loans into a current status. Personnel expenses (salaries and related taxes and benefits) increased \$296,000 in FY 2005 compared to FY 2004. During FY 2005, the allocations of personnel costs among the various programs were adjusted, and the Loan Division percentages were increased. This, combined with State-negotiated salary increases, accounts for most of the personnel expense increase. Fees paid to Sallie Mae for guarantee processing services were just over \$1.2 million in FY 2005 vs. \$946,000 in FY 2004, and resulted from a larger volume of guarantee activity. Other operating expenses totaled \$756,000 in the current year, a decrease of just over \$54,000 from FY 2004.

In the RIHEST Administrative Fund, marketing and promotion expenses, which supplement Alliance Capital's efforts in the State of Rhode Island, were reduced to \$399,000 in FY 2005, as compared to \$591,000 in FY 2004. Personnel expense increased as a result of adjustments to personnel allocations, and other operating expenses were nearly unchanged.

Expenses in the Scholarship and Grant Division are funded with State appropriations and were subject to a 10% cut in FY 2005. The mandated cost reductions were realized by adjusting the personnel allocations charged to this program. As a result, personnel expenses totaled \$493,000 in FY 2005, a reduction of \$99,000 from the previous year. Other operating expenses increased from \$301,000 in FY 2004 to \$319,000 in the current year.

Student financial assistance transfers from the RIHEST Administrative Fund to the Scholarship and Grant Fund increased from almost \$3.3 million in FY 2004 to almost \$5.5 million in FY 2005, and consisted of \$1 million in funding for the Academic Promise Scholarship Program and nearly \$4.5 million in supplemental funding for the State Scholarship/Grant Program.

Scholarship and Grant Fund Revenues and Expenses

	2005	2004	2003
Revenues:			
State Appropriations	\$ 9,149,000	\$ 10,158,000	\$ 5,164,000
Federal Grants	432,000	376,000	229,000
Investment Income	149,000	115,000	70,000
 Total Revenues	 9,730,000	 10,649,000	 5,463,000
 Transfers from the Operating Fund	 5,458,000	 3,298,000	 2,710,000
 Total Scholarship and Grant Fund Revenues	 \$ 15,188,000	 \$ 13,947,000	 \$ 8,173,000
 Total Scholarship and Grant Fund Expenses	 \$ 14,933,000	 \$ 12,886,000	 \$ 6,645,000

Total revenue and transfers into the Scholarship and Grant Fund totaled over \$15 million in FY 2005, vs. approximately \$14 million in FY 2004. This includes the \$5.5 million transfer in FY 2005 from the RIHEST Administrative Fund described in the previous section. Federal funding for the LEAP/SLEAP programs was over \$432,000 in FY 2005, up from \$376,000 in FY 2004. The amount provided for grant awards from State appropriations was decreased from more than \$10 million in FY 2004 to just over \$9 million in FY 2005, as a result of a 10% cut mandated by the budget office. All revenues of the Scholarship and Grant Fund are disbursed to, or for the benefit of, qualifying, financially needy Rhode Island students.

Statement of Cash Flows

	2005	2004	2003
Cash	\$ 8,255,000	\$ 6,506,000	\$ 6,394,000
Provided by (used in):			
Operating activities	\$ (7,916,000)	\$ (5,816,000)	\$ (1,651,000)
Investing activities	(603,000)	(5,635,000)	(1,115,000)
Purchases of capital assets	(131,000)	(97,000)	(420,000)
Noncapital financing activities	10,399,000	11,660,000	6,387,000
 Net increase	 \$ 1,749,000	 \$ 112,000	 \$ 3,201,000

Cash and cash equivalents increased by over \$1.7 million during FY 2005, and totaled just over \$8.2 million at year-end, with virtually all of that balance in the Operating Fund. The components of the statement of cash flows are principally the revenue and expense items, presented on a cash rather than an accrual basis, that have been described in the previous sections. In addition, the statement of cash flows reflects financing and investing activities. RIHEAA's capital and financing activities during FY 2005 included purchases of capital assets totaling just over \$130,000 and grants from the Federal government totaling more than \$432,000. Also included in financing activities is the State appropriation for the Scholarship and Grant Division of nearly \$10 million. Investing activities reflect cash receipts of over \$10.3 million and cash outlays of over \$10.9 million. These transactions include maturities and purchases of U.S. Treasury securities, purchases and redemptions of Program Fund investments related to the Academic Promise Scholarship and 5 & 10 Matching Grant Programs, and interest income on investments.

Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets

	2005	2004	2003
Net assets held in trust for participants	\$5,749,086,000	\$4,727,920,000	\$3,355,182,000

The net assets of the Program Fund totaled nearly \$5.75 billion at June 30, 2005, compared with \$4.73 billion at the end of FY 2004, a net increase of over \$1 billion. The components of the net increase consist of the following: participant investments of nearly \$1.1 billion; investment income of over \$125 million; an increase of over \$314 million in the market value of investments held; expenses of just under \$31 million; and participant redemptions totaling over \$486 million. All of the net assets are held in trust for the participants in the Program Fund and the number of accounts grew from approximately 429,000 at the end of FY 2004 to over 458,000 at the end of FY 2005.

	2005	2004	2003
Federal Fund Total Assets and Liabilities	\$ 13,900,000	\$ 12,600,000	\$ 13,300,000

Total assets and liabilities of the Federal Student Loan Reserve Fund (the Federal Fund) were nearly \$14 million at the end of FY 2005, up from \$12.6 million in FY 2004. Assets include nearly \$2.7 million in cash and cash equivalents, \$5 million in U.S. Treasury securities, a \$2.6 million reinsurance receivable from the Department of Education arising from claims paid to lenders, and the asset transfer receivable from the AOF of just over \$3 million. The liabilities of the Federal Fund include a \$2.5 million allowance for uninsured claims, a federal recall of reserves payable of just over \$736,000, and a payable to the AOF of nearly \$450,000. In addition, the Federal Fund reflects a liability to the Federal government of just over \$10.2 million. Although recorded as a liability in the audited financial statements, this amount substantively reflects the operating reserves of the Federal Fund, and is available for authorized expenditures. Since May of 2002, the RIHEAA Board of Directors has waived guarantee fees on student loans, resulting in significant savings to borrowers. When assessed, guarantee fees are the single largest source of revenue to the Federal Fund, and the waiver of the fee has caused a steady decline in available reserves. Despite this decline, the Federal Fund is still well above the regulatory requirements, and RIHEAA's management carefully monitors the status of the Federal Fund. In addition, the asset transfer described above has increased the Federal Fund, resulting in a higher reserve level at June 30, 2005 than at the end of FY 2004.

Requests for Information

This financial report is designed to provide a general overview of RIHEAA's finances for any interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Rhode Island Higher Education Assistance Authority, 560 Jefferson Blvd, Warwick, RI, 02886.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS - JUNE 30, 2005

	Operating Fund	Scholarship and Grant Fund	Totals
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 7,699,187	\$ 363	\$ 7,699,550
Investments	1,000,000	1,771,827	2,771,827
Receivables and accruals:			
Account maintenance fees	100,575		100,575
Interest	81,583		81,583
Loan processing issuance fee	22,761		22,761
Loans	39,000		39,000
Other	75,866		75,866
Due from Federal Student Loan Reserve Fund	448,550		448,550
Prepaid expenses	36,999		36,999
Total current assets	9,504,521	1,772,190	11,276,711
Noncurrent assets:			
Restricted cash and cash equivalents	555,383		555,383
Investments	13,958,577	1,823,191	15,781,768
Loans receivable, less current portion	278,735		278,735
Capital assets, less accumulated depreciation of \$1,658,810	1,377,732		1,377,732
Total noncurrent assets	16,170,427	1,823,191	17,993,618
Total assets	25,674,948	3,595,381	29,270,329

(continued)

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS - JUNE 30, 2005 (CONTINUED)

	<u>Operating Fund</u>	<u>Scholarship and Grant Fund</u>	<u>Totals</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 545,517		\$ 545,517
Payable to federal government		\$ 363	363
Asset transfer due to Federal Student Loan Reserve Fund	3,063,052		3,063,052
Allowance for default aversion fee returns	226,000		226,000
Compensated absences	107,000		107,000
	<u>3,941,569</u>	<u>363</u>	<u>3,941,932</u>
Total current liabilities			
Noncurrent liabilities:			
Compensated absences, less current portion	242,532		242,532
Allowance for default aversion fee returns, less current portion	395,000		395,000
Deferred default prevention income	378,484		378,484
	<u>1,016,016</u>		<u>1,016,016</u>
Total noncurrent liabilities			
	<u>4,957,585</u>	<u>363</u>	<u>4,957,948</u>
Total liabilities			
Contingencies and commitments (Notes 5, 6, 7 and 10)			
NET ASSETS (NOTE 11):			
Invested in capital assets	1,377,732		1,377,732
Restricted	14,376,740	3,595,018	17,971,758
Unrestricted	4,962,891		4,962,891
	<u>\$ 20,717,363</u>	<u>\$ 3,595,018</u>	<u>\$ 24,312,381</u>
Total net assets			

See notes to financial statements.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2005

	Operating Fund	Scholarship and Grant Fund	Totals
Operating revenues:			
Fees:			
Default aversion, net	\$ 550,000		\$ 550,000
Loan processing issuance	889,907		889,907
Account maintenance	1,396,960		1,396,960
Recovery, consolidation and rehabilitation income, net	6,308,357		6,308,357
Program Fund administrative fees:			
Account maintenance	4,283,049		4,283,049
Direct purchase commissions	629,323		629,323
Other	916,576		916,576
Federal grants		\$ 432,189	432,189
Other	48,726		48,726
	15,022,898	432,189	15,455,087
Total operating revenues			
Operating expenses:			
Student financial assistance		14,932,652	14,932,652
Salaries, payroll taxes and employee benefits	2,832,853		2,832,853
Building and maintenance expenses	150,025		150,025
Collection agency fees	2,166,010		2,166,010
Computer services	131,543		131,543
Default aversion and prevention expenses	390,127		390,127
Depreciation and amortization	250,652		250,652
Marketing and promotion	398,947		398,947
Office expenses and other	250,326		250,326
Printing and postage	116,200		116,200
Professional services	97,493		97,493
Sallie Mae guarantee services fees	1,227,009		1,227,009
Sallie Mae portfolio management services	804,128		804,128
Travel, conferences and workshops	119,059		119,059
	8,934,372	14,932,652	23,867,024
Total operating expenses			
Operating income (loss)	6,088,526	(14,500,463)	(8,411,937)

(continued)

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS (CONTINUED)

YEAR ENDED JUNE 30, 2005

	<u>Operating Fund</u>	<u>Scholarship and Grant Fund</u>	<u>Totals</u>
Nonoperating revenue:			
Alliance contract income	\$ 250,000		\$ 250,000
Investment income, interest	460,168	\$ 149,405	609,573
Rental income	128,815		128,815
State appropriations	811,971	9,148,064	9,960,035
Total nonoperating revenue	<u>1,650,954</u>	<u>9,297,469</u>	<u>10,948,423</u>
Income (loss) before transfers	<u>7,739,480</u>	<u>(5,202,994)</u>	<u>2,536,486</u>
Transfers for:			
Academic Promise Scholarship Program	(1,000,000)	1,000,000	- 0 -
State grant program	(4,458,167)	4,458,167	- 0 -
Total transfers	<u>(5,458,167)</u>	<u>5,458,167</u>	<u>- 0 -</u>
Change in net assets	2,281,313	255,173	2,536,486
Asset transfer to Federal Student Loan Reserve Fund (Note 5)	(3,063,052)		(3,063,052)
Net assets:			
Beginning of year	<u>21,499,102</u>	<u>3,339,845</u>	<u>24,838,947</u>
End of year	<u>\$ 20,717,363</u>	<u>\$ 3,595,018</u>	<u>\$ 24,312,381</u>

See notes to financial statements.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2005

	Operating Fund	Scholarship and Grant Fund	Totals
Cash flows from operating activities:			
Cash received from:			
Alliance contract income	\$ 250,000		\$ 250,000
Program Fund fees	5,828,948		5,828,948
Government fees	3,072,210		3,072,210
Recovery, consolidation and rehabilitation income	6,166,018		6,166,018
Repayments of loans	68,232		68,232
Rental income	128,815		128,815
Cash paid for:			
Employees for services and benefits	(2,789,853)		(2,789,853)
Student financial assistance		\$ (14,950,709)	(14,950,709)
Supplies, materials and services	(5,689,774)		(5,689,774)
Net cash provided by (used in) operating activities	7,034,596	(14,950,709)	(7,916,113)
Cash flows from noncapital financing activities:			
Operating transfer from Federal Student Loan Reserve Fund	6,285		6,285
Operating subsidies and transfers (to) from other funds	(5,458,167)	5,458,167	- 0 -
State appropriations	811,971	9,148,064	9,960,035
Federal grants		432,189	432,189
Net cash provided by (used in) noncapital financing activities	(4,639,911)	15,038,420	10,398,509
Cash used in capital and related financing activities, purchase of capital assets	(130,500)		(130,500)
Cash flows from investing activities:			
Purchases of investments	(9,926,380)	(1,000,000)	(10,926,380)
Proceeds from sales and maturities of investments	9,000,000	894,232	9,894,232
Interest received on investments	428,953		428,953
Net cash used in investing activities	(497,427)	(105,768)	(603,195)
Net increase (decrease) in cash and cash equivalents	1,766,758	(18,057)	1,748,701
Cash and cash equivalents, beginning of year	6,487,812	18,420	6,506,232
Cash and cash equivalents, end of year	\$ 8,254,570	\$ 363	\$ 8,254,933

(continued)

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2005

	Operating Fund	Scholarship and Grant Fund	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 6,088,526	\$ (14,500,463)	\$ (8,411,937)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Federal grants		(432,189)	(432,189)
Alliance contract income	250,000		250,000
Rental income	128,815		128,815
Depreciation	250,652		250,652
Provision for default aversion fee refunds	273,500		273,500
Changes in assets and liabilities:			
Receivables and accruals:			
Account maintenance fees	180,747		180,747
Loan processing issuance fee	6,596		6,596
Loans	68,232		68,232
Other	(60,797)		(60,797)
Due from Federal Loan Reserve Fund	(130,268)		(130,268)
Prepaid expenses	9,822		9,822
Accounts payable	151,271		151,271
Payable to federal government		(18,057)	(18,057)
Allowance for default aversion fee returns	(225,500)		(225,500)
Compensated absences	43,000		43,000
	<u>\$ 7,034,596</u>	<u>\$ (14,950,709)</u>	<u>\$ (7,916,113)</u>
Net cash provided by (used in) operating activities	<u>\$ 7,034,596</u>	<u>\$ (14,950,709)</u>	<u>\$ (7,916,113)</u>

See notes to financial statements.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2005

	Tuition Savings Program Fund	Federal Student Loan Reserve Fund
ASSETS:		
Cash and cash equivalents	\$ 729,774	\$ 2,662,465
Investments	5,749,452,855	4,982,567
Receivables:		
Units sold	3,147,241	
Investments sold	496,978	
Reinsurance claims, federal government		2,574,597
Transfer due from Agency Operating Fund (Note 5)		3,063,052
Default aversion fee returns		621,000
Interest and dividends	1,694,818	5,781
Other	114,268	
	<u>5,755,635,934</u>	<u>\$ 13,909,462</u>
Total assets		
LIABILITIES:		
Accounts payable:		
Investments purchased and units redeemed	3,278,440	
Other	3,271,391	\$ 133
Payable to Operating Fund		448,550
Allowance for uninsured claims		2,500,000
Federal recall reserve payable		736,637
Due to the federal government		10,224,142
	<u>6,549,831</u>	<u>\$ 13,909,462</u>
Total liabilities		
NET ASSETS:		
Held in trust for participants	<u>\$ 5,749,086,103</u>	

See notes to financial statements.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

TRUST FUND – TUITION SAVINGS PROGRAM FUND

YEAR ENDED JUNE 30, 2005

From operations:	
Investment income	\$ 125,251,045
Net increase in fair value of investments	314,317,476
Expenses, asset-based charges	<u>(30,611,796)</u>
Net increase in net assets from operations	<u>408,956,725</u>
From unitholder transactions:	
Subscriptions	1,098,727,417
Redemptions	<u>(486,517,863)</u>
Net increase in net assets from unitholder transactions	<u>612,209,554</u>
Net increase in net assets	1,021,166,279
Net assets held in trust for participants, beginning of year	<u>4,727,919,824</u>
Net assets held in trust for participants, end of year	<u>\$ 5,749,086,103</u>

See notes to financial statements.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies:

Organization:

Rhode Island Higher Education Assistance Authority:

The Rhode Island Higher Education Assistance Authority (the Authority) is a public corporation established July 1, 1977 by an Act of the Rhode Island General Assembly. It is a component unit of the State of Rhode Island (the State) for financial reporting purposes and as such, the financial statements of the Authority will be included in the State's comprehensive annual financial report. The Authority was created for the dual purpose of guaranteeing loans to students in eligible institutions and administering other programs of post-secondary student financial assistance assigned by law to the Authority.

The Authority is exempt from federal, state and local income taxes.

External Investment Pool, Rhode Island Higher Education Savings Trust:

The Rhode Island Higher Education Savings Trust (RIHEST) is a separate legal entity created by the Authority pursuant to an Act of the Rhode Island General Assembly. RIHEST is comprised of the Tuition Savings Program Fund (the Program Fund), Rhode Island's IRS Section 529 qualified state tuition savings program, which holds participant assets as a private purpose trust fund, and an Administrative Fund (included in the Operating Fund.) The Program Fund is available for families to save and invest for qualified higher education expenses and the investment policies are established by the Rhode Island State Investment Commission (SIC) and the Authority. The Program Fund is managed by an independent contractor under the supervision of the SIC and the Authority.

RIHEST is exempt from federal and state income taxes. Earnings on investments are tax free for both federal and state tax purposes provided the earnings are withdrawn for qualified higher education expenses.

Reporting entity:

In evaluating the inclusion of separate and distinct legal entities as component units within its financial reporting structure, the Authority applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Reporting entity (continued):

The Authority administers an agency fund on behalf of the federal government, the Federal Student Loan Reserve Fund (Federal Fund). Under the 1998 reauthorization of the Higher Education Act, guaranty agencies were required to establish a Federal Fund, effective October 1, 1998. The sources of revenue for the Federal Fund include principally guarantee fees, reinsurance received for lender claims paid, and income from investments. Effective May 2002, the Authority's Board of Directors voted to allow the Authority to waive guarantee fees on new loans. Assets and liabilities of the Federal Fund are those of the U.S. Department of Education (DOE). This fund can be used only to pay lender claims and to pay the Agency Operating Fund for default prevention activities, unless otherwise directed by the DOE.

Financial statement presentation, measurement focus and basis of accounting:

The Authority engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external users.

The Authority uses the economic resources measurement focus and accrual basis of accounting. The Authority applies all pronouncements of the GASB, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Authority has elected not to apply any FASB pronouncements and interpretations issued after November 30, 1989.

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Operating expenses include the cost of and losses resulting from services provided, administrative expenses, and depreciation expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Nature of funds:

Operating Fund:

This fund accounts for all transactions relating to a) the Authority's Agency Operating Fund, which principally administers the activities as a State guaranty agency for the Federal Family Education Loan (FFEL) Program, b) the Authority's administration of scholarships and grants on behalf of the federal government and the State (the Scholarship and Grant Operating Fund), and c) the Authority's administration of RIHEST.

The principal sources of revenue for the Operating Fund include a) fees paid principally by the federal government for administering the FFEL Program (such as loan processing issuance fees, default aversion fees, and account maintenance fees); b) recovery, consolidation and rehabilitation income earned as a result of collection and consolidation of previously defaulted loans; c) a state appropriation for administering its grant and scholarship programs; and d) fees and commissions earned from administering RIHEST (such as account maintenance fees and direct purchase commissions).

Scholarship and Grant Fund:

This fund accounts for the activity of several separate grant and scholarship programs administered on behalf of the federal government, the State, the New England Board of Higher Education and the Authority's Academic Promise Scholarship and 5 & 10 Matching Grant Programs.

Scholarship and grant programs administered on behalf of the federal government require the State to match federal amounts in the form of a minimum maintenance of effort level. The programs are Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP).

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Nature of funds (continued):

Scholarship and Grant Fund (continued):

The Authority operates the Academic Promise Scholarship and the 5 & 10 Matching Grant Programs. These programs are funded with RIHEST revenues as transfers from the Operating Fund. Under the Academic Promise Scholarship Program, the Authority invests up to \$1,000,000 annually in the Program Fund for the benefit of 100 academic and income-qualifying students to provide up to \$10,000 to each student over a four-year scholarship period. Under the 5 & 10 Matching Grant Program, the Authority may make available up to \$500,000 annually to invest in the Program Fund as matching contribution accounts for individuals' accounts established for the benefit of income-qualifying students. The Academic Promise and 5 & 10 Matching Grant Programs are subject to certain conditions and limitations including but not limited to income eligibility, academic performance, and contribution and withdrawal restrictions.

Also included in this fund is the New England Regional Student Program whereby students from the six New England states pay significantly reduced tuition at out-of-state public colleges and universities within New England when they enroll in certain academic programs that are not offered by their home-state public colleges and universities. The Authority makes an annual contribution for Rhode Island's participation in the program. This program is sponsored by the New England Board of Higher Education.

Significant accounting policies:

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash deposits and cash equivalents:

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Significant accounting policies (continued):

Cash deposits and cash equivalents (continued):

Under the "Rhode Island Collateralization of Public Deposits Act," depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the Authority's deposits were required to be collateralized at June 30, 2005. The Authority does not have any additional policy regarding custodial credit risk for its cash deposits and cash equivalents.

Investments:

Investments of the Operating Fund include U.S. Treasury Bills, U.S. Treasury Notes, U.S. Agency collateralized obligations and deposits in Alliance Capital Funds. Investments of the Scholarship and Grant Fund are solely units in the Program Fund. Investments in U.S. Treasury Bills are reported at their amortized value, which approximates their fair value. All other investments are reported at their estimated fair value established by quoted market prices. Unrealized gains and losses from the changes in fair value are recognized as investment income. Principally all of the Authority's Operating Fund investments are classified as noncurrent, as it is management's intention to hold the notes and bills until maturity, and reinvest maturities due in one year or less. The Authority has classified a \$1,000,000 bond, maturing in August 2005, as current because the redemption proceeds were used to satisfy the payment due to the DOE (see Note 5).

Investments in the Program Fund have been classified as current or noncurrent based upon their intended date of withdrawal.

Receivables:

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on history and current information regarding the credit worthiness of the debtors. The Authority does not require collateral or other forms of security from its customers.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Significant accounting policies (continued):

Restricted cash and cash equivalents:

Restricted cash and cash equivalents includes escrow deposits with a financial institution under an agreement with Sallie Mae, Inc. (Sallie Mae) as collateral for certain loans, and deposits associated with the DOE's recall from the Federal Student Loan Reserve Fund, which funds are to be used specifically for default prevention activities.

Capital assets, and depreciation and amortization:

Capital assets are stated at cost. The Authority provides for depreciation and amortization using the straight-line method over the estimated useful lives of the assets.

Compensated absences:

Authority employees receive vacation time under a union contract based upon their years of service. This time may be carried over from one calendar year to another, not to exceed the amount of vacation time earned in two calendar years. In the event of termination, employees are paid for unused time up to the amount of vacation time earned in one calendar year.

Sick leave is granted to all full-time employees based on total hours worked in a pay period, up to a maximum number of hours as designated under the union contract. In the event of termination, employees are paid for accrued sick time based on a formula in the union contract.

Compensated absences are calculated at the current rate of pay.

Nonunion employees follow the same guidelines for vacation and sick time as union employees.

Net assets:

The Authority's net assets have been segregated into the following three components in accordance with GASB Statement No. 34:

Invested in capital assets - represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

Restricted - those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

1. Description of organization and summary of significant accounting policies (continued):

Significant accounting policies (continued):

Net assets (continued):

Under the 1998 reauthorization of the Higher Education Act, the Agency Operating Fund's net assets shall be used for application processing, loan disbursement, enrollment and repayment status management, default aversion activities, default collection activities, school and lending training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities. Therefore, the Operating Fund's net assets relating to the Agency Operating Fund, in the amount of \$14,419,740, are classified as restricted. Also, the Scholarship and Grant Fund's net assets invested in the Program Fund, in the amount of \$3,595,018, for the Academic Promise Scholarship and 5 & 10 Matching Grant Programs are classified as restricted.

Unrestricted - a residual category for the balance of net assets, all of which has been designated for specific purposes by the Authority's Board of Directors (see Note 11).

Revenue from grants and appropriations:

Revenue from grants and appropriations is recognized to the extent expenditures under such grants have been made.

Retirement and postretirement healthcare benefit plans:

Substantially all Authority employees are covered for retirement and postretirement health benefits by State of Rhode Island plans administered by the State. Funding, eligibility, participation and vesting provisions are determined by the Retirement Board.

Under State law, individuals hired by the Authority who previously participated in certain other retirement plans may elect to remain in those plans rather than participate in the State retirement plan. Currently, some Authority personnel participate in a defined contribution plan offered by TIAA-CREF, which is substantively identical to the plan offered to employees of the State's Colleges and University.

2. Cash deposits, cash equivalents and investments:

Cash deposits and cash equivalents:

The Authority assumes levels of custodial credit risk for its cash deposits and cash equivalents. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Cash deposits and cash equivalents are exposed to credit risk if they are not covered by depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

2. Cash deposits, cash equivalents and investments (continued):

Cash deposits and cash equivalents (continued):

At June 30, 2005, the Authority's cash deposits and cash equivalents consist of and are categorized as follows:

	Category		Total bank balance	Carrying amount
	Insured	a		
Proprietary funds:				
Demand deposits	\$ 103,072	\$ 77,099	\$ 180,171	\$ 180,171
Repurchase agreements			2,606,012	2,466,403
Treasury Cash Fund			378,484	378,484
Deposits with:				
State's general treasury		236,452	236,452	236,452
Alliance Capital (A)		4,993,423	4,993,423	4,993,423
Total proprietary	<u>103,072</u>	<u>5,306,974</u>	<u>8,394,542</u>	<u>8,254,933</u>
Fiduciary funds:				
Demand deposits	100,000	20,375	120,375	120,375
Repurchase agreements			4,133,250	2,542,090
Deposits with State Street Bank (B)	<u>100,000</u>	<u>629,774</u>	<u>729,774</u>	<u>729,774</u>
Total fiduciary	<u>200,000</u>	<u>650,149</u>	<u>4,983,399</u>	<u>3,392,239</u>
Total	<u>\$ 303,072</u>	<u>\$ 5,957,123</u>	<u>\$ 13,377,941</u>	<u>\$ 11,647,172</u>

(A) These deposits with Alliance Capital consist of dollar-denominated cash investment funds.

(B) State Street Bank is Alliance Capital's custodian for the Program Fund daily cash deposits.

Restricted cash and cash equivalents includes an escrow deposit of \$176,899 as collateral for loans sold to Sallie Mae (see Note 4), and deposits of \$378,484 restricted for use in default prevention activities (see Note 5).

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

2. Cash deposits, cash equivalents and investments (continued):

Investments:

The Authority assumes levels of custodial credit risk for its investments. Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved investment policy includes only low-risk securities, such as obligations issued by the United States Government or a state.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. The Authority does not have a policy as it relates to interest rate risk.

At June 30, 2005, the Authority's investments consist of the following:

	Fair value	Investment maturities	
		One year or less	One to five years
Proprietary funds:			
U.S. Treasury Notes	\$ 12,983,438	\$ 3,965,938	\$ 9,017,500
U.S. Treasury Bills	1,974,782 (C)	1,974,782	
U.S. Agency collateralized mortgage obligations	357	357	
Restricted investments, Alliance Capital Principal Protection Income Fund (D)	3,595,018	N/A	N/A
Total proprietary	18,553,595	5,941,077	9,017,500
Fiduciary funds:			
Federal Student Loan Reserve Fund:			
U.S. Treasury Notes	2,008,438	1,009,063	999,375
U.S. Treasury Bills	2,974,129 (C)	2,974,129	
	4,982,567	3,983,192	999,375
Tuition Savings Program Fund:			
Alliance Capital Funds (D)	5,749,452,855	N/A	N/A
Total fiduciary funds	5,754,435,422	3,983,192	999,375
Total	\$ 5,772,989,017	\$ 9,924,269	\$ 10,016,875

(C) It is impracticable to determine the fair value of the U.S. Treasury Bills. However, management estimates that the reported amount approximates the fair value.

(D) These Alliance Capital Funds include mutual funds (consisting of cash, equities and debt) that are valued daily and have no definitive maturities.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

3. Capital assets:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated, land	\$ 194,096			\$ 194,096
Capital assets being depreciated or amortized:				
Land improvements	28,824			28,824
Building and improvements	1,949,422	\$ 40,282		1,989,704
Equipment	361,677	45,393	\$ (3,802)	403,268
Web-based program	375,825	44,825		420,650
Total capital assets being depreciated or amortized	2,715,748	130,500	(3,802)	2,842,446
Less accumulated depreciation and amortization:				
Land improvements	(16,093)	(961)		(17,054)
Building and improvements	(1,116,710)	(71,698)		(1,188,408)
Equipment	(203,992)	(84,898)	3,802	(285,088)
Web-based program	(75,165)	(93,095)		(168,260)
Total accumulated depreciation and amortization	(1,411,960)	(250,652)	3,802	(1,658,810)
Total capital assets being depreciated or amortized, net	1,303,788	(120,152)	- 0 -	1,183,636
Total capital assets, net	\$ 1,497,884	\$ (120,152)	\$ - 0 -	\$ 1,377,732

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

4. Loans receivable:

The Authority operates loan programs directed toward students in graduate studies in health-related professions. As of June 30, 2005, the outstanding loan balances total \$317,735, of which \$138,143 is guaranteed by the federal government.

Certain loans, totaling \$86,000, contain provisions whereby up to 75% of the original loan balance may be forgiven if the borrowers work in or for the State for a specified period of time. These loans do not bear interest until they enter the repayment phase, which begins nine months after graduation or after the students complete the conditions for forgiveness. Students may also get up to a four-year deferment of principal and interest for being enrolled in internship or residency programs. Loan forgiveness is recorded in the Scholarship and Grant Operating Fund in the period in which the conditions are satisfied by the borrowers. During 2005, no loans were forgiven.

During 1987, Sallie Mae purchased from the Authority certain loans that were not guaranteed by the federal government. Under the agreements with Sallie Mae, the Authority is required to maintain on deposit with a financial institution an escrow account equal to at least 105% of the outstanding principal balance (approximately \$132,566 principal balance was outstanding at June 30, 2005).

5. Contingencies and commitments:

Federal audits:

Under the reinsurance agreement with the federal government, the Authority's accounting records are subject to review and audit by the federal government. Such audits could lead to requests for reimbursement if terms of the various programs and agreements are not met. During 1997, the DOE completed a review of the Agency Operating Fund's activities and reports submitted to it. The DOE's report of findings and observations required the Authority to respond to three findings related to the FFEL Program and related FFEL reserves. During 1998, the Authority responded to one of the findings, which required the return of certain consolidation recoveries. The Authority has incorporated the other two findings within its settlement with the DOE, as discussed in the following section; "Establishment of Federal Student Loan Reserve Fund."

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

5. Contingencies and commitments (continued):

Establishment of Federal Student Loan Reserve Fund:

Under the 1998 reauthorization of the Higher Education Act, guaranty agencies were required to establish the Federal Fund, effective October 1, 1998. Therefore, the Authority was required to determine and separate Federal Fund assets and liabilities from assets and liabilities from other sources, principally the State. The Authority has calculated the cash and investments attributable to non-FFEL Program sources plus an allocation of investment activity through October 1, 1998. In addition, the Authority's management believed its building and loans receivable (see Note 4) should also be property of the Authority because of the timing of their acquisition and the provisions of certain enacted laws of the Higher Education Act.

Accordingly, effective October 1, 1998, the Authority included within the Agency Operating Fund the calculated amount of cash and investments attributable to non-FFEL Program sources, the building and loans receivable. All other assets and liabilities were transferred to the Federal Fund. The Authority provided the DOE with a proposal which included this separation of the funds, and incorporated the resolution of the pending findings discussed in the previous section, "Federal audits." The DOE has accepted the Authority's calculation of cash and investments attributable to non-FFEL Program sources and the resolution of the pending findings. However, the DOE has required payment from the Agency Operating Fund to the Federal Fund for the retention of the building and loans receivable. Accordingly, the Authority has recorded a transfer payable to the Federal Fund for the building and loans receivable, in the agreed amount of \$3,063,052, as of June 30, 2005, and the payment was made to the Federal Fund on August 31, 2005.

United States Department of Education:

Preservation and recovery of reserves:

The Secretary of the DOE is authorized to require the return of all of a guaranty agency's Federal Fund if the Secretary determines that such return is in the best interests of the Federal Family Education Loan or Federal Direct Student Loan Programs. Alternatively, the Secretary has the authority to require a guaranty agency to return to the Secretary any portion of the Reserve Funds from the Federal Fund that the Secretary determines is unnecessary for paying the program expenses and contingent liabilities of the programs.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

5. Contingencies and commitments (continued):

United States Department of Education (continued):

Preservation and recovery of reserves (continued):

The Secretary required the return of \$1 billion in guaranty agency Reserve Funds nationwide. The Authority's share of Reserve Funds to be returned was \$4,310,909. The Authority was required to account separately for 20% of the \$4,310,909 in each of the fiscal years 1998 through 2002, and the entire amount was returned to the Secretary on August 30, 2002. Until the funds were returned to the Secretary, the Authority received interest on the funds, restricted for use in default prevention activities. Upon payment of the \$4,310,909, the Authority was authorized to transfer the accumulated interest to the Agency Operating Fund, subject to its restricted use in default prevention activities. The Authority reports a corresponding liability, deferred default prevention income, for the cash balance restricted for default prevention activities, and recognizes income as allowable expenditures are incurred.

In addition, the 1998 reauthorization of the Higher Education Act requires the Secretary's recall of \$250 million from guaranty agencies. The Authority's share of this recall amount, totaling \$1,116,117, is based on the ratio of the Authority's share of Reserve Funds to the total amount of all guaranty agencies' Reserve Funds, as of September 30, 1996. The Authority's share of the \$250 million recall is payable in three installments. At June 30, 2005, the remaining amount outstanding and recorded in the Federal Fund, totaling \$736,637, is payable in two installments of \$368,319 and \$368,318 on September 1, 2006 and 2007, respectively.

Reserve Fund requirements:

The DOE has established guidelines for guaranty agency Federal Student Loan Reserve Funds to assist in determining an agency's ability to meet its guarantor obligations. Under these guidelines, the minimum reserve fund requirement is .25% of outstanding loans guaranteed. As of June 30, 2005, the Authority has guaranteed outstanding loans totaling \$1,313,896,735.

In the event an agency does not meet the minimum Reserve Fund level, the Secretary will require a management plan. The Secretary also may request a management plan if the agency exceeds the 5% reinsurance trigger as defined in the reinsurance agreement (see Note 7).

The Authority has met the required Reserve Fund level for the year ended June 30, 2005 and the Authority has not exceeded the 5% reinsurance trigger.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

5. Contingencies and commitments (continued):

Rental revenue:

The Authority rents 34% of its building to tenants under leases which expired in 2004. The lease arrangements are continuing on a month-to-month basis and the Authority expects to extend the lease arrangements under similar terms.

Systems services agreement:

The Authority has an agreement for computer system services with Sallie Mae Guarantee Services. The agreement expires September 30, 2005 and has a two-year automatic renewal expiring through September 30, 2007. The Authority may cancel the Agreement with 180 days notice. The agreement provides for base fees plus .30% of the amount of annual loan applications processed in excess of \$100 million excluding consolidated loans, and specified fees for certain administrative services provided to the Authority on an as requested basis. For 2005, the fees to Sallie Mae Guarantee Services amounted to \$1,227,009.

Under the same agreement, Sallie Mae Guarantee Services provides portfolio management services to the Authority for defaulted loans outsourced for collection. For 2005, the fees to Sallie Mae Guarantee Services for management of defaulted loans amounted to \$804,128. Also, the Authority receives a portion of the collections managed by Sallie Mae Guarantee Services. The Authority receives guaranteed annual net revenue from collections managed by Sallie Mae Guarantee Services of 2.25% of the dollar amount of the defaulted portfolio placed with Sallie Mae Guarantee Services, plus a percentage of collections above certain minimum levels. Collections received by the Authority through Sallie Mae Guarantee Services are included in recovery income.

In the event the Authority should cancel the portfolio management services, the agreement provides for increases in the base fees, a .35% fee on all consolidated loans, and a .40% fee on all other loans in excess of \$100 million processed thereafter.

Default aversion and prevention services agreements:

The Authority has an agreement, which expires in September 2006, for default aversion services with OSI Education Services, Inc. (OSI) that provides for a .59% fee to be paid to OSI for each loan brought to current status within the specifications of the agreement. For 2005, the fees to OSI amounted to \$390,127.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

5. Contingencies and commitments (continued):

Tuition Savings Program Management Agreement:

The Authority has an agreement with Alliance Capital Management, L.P. (Alliance) for the management and promotion of the Tuition Savings Program. The agreement expires June 30, 2010, and provides for a management fee payable from the Program Fund assets to Alliance from the assets under management. The RIHEST Administrative Fund receives account maintenance, direct commission and other fees from the Program Fund. The RIHEST administrative income, totaling \$5,828,948, is recorded in the Operating Fund. In addition, the Authority receives \$250,000 annually (in quarterly installments) from Alliance which is recorded as nonoperating income in the Operating Fund.

Under the agreement with Alliance, Alliance has committed to spend \$600,000 annually through June 2010 for the marketing and promotion of the Tuition Savings Program in the State of Rhode Island and the Authority provides additional funds to supplement the marketing and promotion. During 2005, the Authority paid to Alliance additional funds of \$390,000 under the agreement for the marketing and promotion expenses. For 2006, the Authority has authorized additional funds up to \$600,000 for marketing and promotion expenses.

6. Operating Fund revenues:

Default aversion fees:

The Operating Fund receives a default aversion fee from the Federal Fund. This fee is received for any loan on which a lender request for assistance is received by the Authority after a loan is between 60 and 120 days delinquent. The fee is calculated at 1% of the total unpaid principal and accrued interest at the time the Authority receives the lender request for assistance. If a default aversion fee is received on a loan and the loan subsequently defaults, the default aversion fee must be returned to the Federal Fund.

There is limited historical and projected information available for the evaluation of the provision for fee returns. Management has been working with the Authority's service provider to calculate a provision for fee returns and develop a means to track and evaluate future activity. The Authority records a provision for fee returns at approximately 33% of fee income, which is management's best estimate of potential fee returns based on the information that is available. Consequently, it is at least reasonably possible that this estimate could change in the near term and the change could be material to the financial statements. The 2005 default aversion fees are recorded net of a \$273,500 provision for returns, and the allowance for fee returns as of June 30, 2005 is \$621,000.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

6. Operating Fund revenues (continued):

Loan processing issuance fees:

The Authority receives a loan processing and issuance fee (LPIF) from the DOE equal to .40% of the total loans disbursed, excluding consolidations.

Account maintenance fee:

The Authority receives an account maintenance fee (AMF) from the DOE equal to .10% of the original principal balance of guaranteed loans outstanding.

7. Reinsurance triggers and reserve for uninsured claims:

The Authority primarily acts as a guaranty agency for educational loans made to students by lending institutions which have agreed to participate in the FFEL Program.

Under the terms of the reinsurance agreement with the federal government, the federal government reimburses guaranty agencies for a percentage of amounts expended in the discharge of its guarantor obligations. The agreement contains certain annual limitations, commonly referred to as the "reinsurance trigger," which could reduce the reinsurance amount during the remainder of any federal fiscal year.

The "reinsurance trigger" clause provides that whenever default claims in any federal fiscal year exceed 5% and 9% of the insured loans that were in repayment at the end of the previous federal fiscal year, the amount of reinsurance for loans disbursed prior to October 1, 1993 will drop from 100% to 90% and 80%, respectively, of the default claims for the balance of the federal fiscal year. For loans disbursed between October 1, 1993 and September 30, 1998, the maximum amount of reinsurance that guaranty agencies may receive from the federal government was reduced by 2% (the Authority will receive 98%, 88% or 78% of the claims paid to lenders based upon its "reinsurance trigger"). For loans disbursed on or after October 1, 1998, the maximum amount of reinsurance was reduced by 5% (the Authority will receive 95%, 85% or 75% of the claims paid to lenders based on its "reinsurance trigger"). During the year ended June 30, 2005, the Authority charged operations of the Federal Fund with \$1,386,000 pursuant to the above provisions and as of June 30, 2005, the allowance for uninsured claims totals \$2,500,000. During the year ended June 30, 2005, claims totaling \$886,000 were paid and charged against the allowance.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

7. Reinsurance triggers and reserve for uninsured claims (continued):

Based upon the Authority's past experience, management does not expect to reach the "reinsurance triggers" that would reduce its reimbursement below 100%, 98% and 95%. Accordingly, the provision for uninsured claims is based on estimated defaults in excess of the 100%, 98% and 95% reinsurance provisions.

8. Related party transactions:

The Authority is a related party to the Rhode Island Student Loan Authority (RISLA), another component unit of the State. RISLA is a public instrumentality created to provide a statewide student loan program through the acquisition and origination of student loans. Transactions with RISLA as of and during the year ended June 30, 2005 were as follows:

Guaranteed loans outstanding at June 30, 2005	\$ 469,117,000
Loans guaranteed during the year	199,680,000
Guarantee claims paid during the year	10,686,000

9. Retirement plans:

Substantially all full-time permanent employees of the Authority participate in the Employees' Retirement System of the State of Rhode Island (the System), a cost-sharing, multiple-employer public retirement system. Employees who retire at age 60 or older with 10 years of credited service (at any age with 28 years of credited service) are entitled to a retirement benefit. The benefit is calculated using the number of years of service and the employee's average salary based on the three highest consecutive years of earned salary. Benefits fully vest upon reaching 10 years of service and equal 1.7% of average salary for the first 10 years of service accruing to a maximum rate of 80% of average salary after 35 years of service. The System also provides for death and disability benefits. The System issues a publicly available financial report that includes financial statements and required supplementary information for the State. That report may be obtained by writing to Employees' Retirement System of the State of Rhode Island, 40 Fountain Street, Providence, Rhode Island 02903.

Payroll of the Authority's employees covered by the System was \$1,860,778 in 2005. For the fiscal year ended June 30, 2005, the Authority's actuarially computed contribution rate to the System was 11.5% of annual covered payroll. The employees' contribution rate is 8.75% of their annual covered salary. Employees contributed approximately \$150,000 in 2005. The Authority's contributions for the years ended June 30, 2005, 2004 and 2003 were approximately \$175,000, \$140,000 and \$119,000, respectively, equal to the required contributions for each year.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

9. Retirement plans (continued):

Some Authority employees are covered under the TIAA-CREF Plan. The Authority's contributions for the year ended June 30, 2005 were 9% of the covered payroll. The Employees must contribute a minimum of 5% of the covered payroll. The Authority's contributions for the years ended June 30, 2005, 2004 and 2003 were approximately \$32,000, \$30,000 and \$26,000, respectively.

10. Postretirement healthcare benefits plan:

In accordance with the General Laws of the State of Rhode Island, postretirement healthcare benefits are provided to all state employees who retire on or after July 1, 1989. The benefits, in general, cover medical and hospitalization costs for pre-Medicare retirees and a Medicare supplement for Medicare-eligible retirees. The State is required to pay a portion of the monthly premium. This payment varies with years of service and ranges from 50% for retirees with 10-15 years of service to 100% for retirees with 35 years or more of service. During fiscal year 1999, the period covered by the most recent financial report on the System, the State was required to fund the program at a rate of approximately .98% of active member state employees' payroll (exclusive of overtime). A required actuarial valuation of the plan has been performed; however, significant assumptions and funding options have not been adopted.

The cumulative cost of the postretirement healthcare benefits is not available to the Authority. The State Controller is currently analyzing all related transactions occurring since inception of the plan to determine the financial status of the postretirement healthcare benefits plan.

The Authority contributed approximately \$29,000 to the plan during 2005.

11. Risk management:

The Authority is exposed to various risks of loss related to torts, errors and omissions, property casualty and liability, and workers' compensation claims for which the Authority carries commercial insurance or participates in the State programs and coverage. Management believes the Authority has sufficient net assets for potential claims, if any, that are subject to deductibles or are in excess of stated coverage maximums. The Authority is not aware of any potential claims. Claims settled in the past three years have not exceeded the Authority's coverage, and there have been no significant reductions in insurance coverage. Accordingly, the Authority has not recorded a reserve for potential claims.

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2005

12. Net assets:

At June 30, 2005, restricted net assets consist of the following:

Academic Promise Scholarship Program	\$ 2,823,191
5 & 10 Matching Grant Program	771,827
Agency Operating Fund FFEL Program	<u>14,376,740</u>
Total restricted	<u>\$ 17,971,758</u>

At June 30, 2005, unrestricted net assets consist of the following:

Designation of unrestricted net assets for Program Fund Administration and Student Financial Assistance Programs	<u>\$ 4,962,891</u>
---	---------------------



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.
Certified Public Accountants / Business Consultants

Principals
Jerome L. Lefkowitz, CPA
Stephen M. Garfinkel, CPA
Frank J. Champi, CPA
Richard J. DeRienzo, CPA
Jerrold N. Dorfman, CPA, PFS
Peter Mezei, CPA
Stephen W. Geremia, CPA
Susan R. Johnson, CPA
Michael E. Criscione, CPA
John E. Finnerty, Jr., CPA

Independent Auditors' Report on Accompanying Information

Board of Directors
Rhode Island Higher Education
Assistance Authority
Warwick, Rhode Island

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules contained on pages 37 through 42 are presented for additional analysis as required by the State of Rhode Island, and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lefkowitz, Garfinkel, Champi & DeRienzo P.C.

September 9, 2005

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF AGENCY OPERATING FUND TRAVEL EXPENSES

YEAR ENDED JUNE 30, 2005

<u>Payee</u>	<u>Purpose of travel</u>	<u>Airfare</u>	<u>Lodging</u>	<u>Meals</u>	<u>Automobile and other</u>
American Express	W. Hurry - NCHELP Board Meeting	\$ 448	\$ 437		
	W. Hurry - NELNET Meeting	707	229		
	W. Hurry - NCHELP CEOs	472			
	C. Miller - EAP Meeting	299			
	C. Miller - Meteor Project Meeting	490			
	C. Miller - NCHELP Legislative Meeting	259			
	M. Lacroix - NCHELP Legislative Meeting	259			
	M. Lacroix - NCHELP CFOs	364			
	J. Greenough - Meteor Project Meeting		362		\$ 274
American Express	W. Hurry - NCHELP CEOs	388			
	C. Miller - Meteor Project Meeting		624		276
	C. Miller - NCHELP Meeting	282			
American Express	W. Hurry - NCHELP Legislative Meeting			\$ 589	
	T. Tedeschi - NCHELP Debt Meeting		299		
	C. Miller - Meteor Project Meeting		649		233
	C. Miller - NCHELP Legislative Meeting		581		
	C. Miller - ESC Meeting	222			
	M. Lacroix - NCHELP Legislative Meeting		581		
	G. Mance-Rios - NCHELP Legislative Meeting		581		
	N. Dooley - NCHELP Legislative Meeting		771		
	N. Dooley - DE Training		306		
	S. Mollica - DE Training		300		
	G. Silva - DE Training		300		
	G. Silva - CRI Training	308			
Greg Silva	G. Silva - CRI Training		271		
Diane Carlin	D. Carlin - NCHELP Training		537		
American Express	W. Hurry - NCHELP Meeting	388			
	W. Hurry - NCHELP Executive Committee	249			

(continued)

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF AGENCY OPERATING FUND TRAVEL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2005

Payee	Purpose of travel	Airfare	Lodging	Meals	Automobile and other
American Express	C. Miller - ESC Meeting		\$ 546		
	C. Miller - DE Meeting	\$ 394			
	N. Dooley - Sallie Mae Meeting	237			
	D. Carlin - Sallie Mae Meeting	237			
American Express	W. Hurry - NCHELP Strategic Planning		217		
	T. Tedeschi - NCHELP Training		469		
	C. Miller - DE Meeting		414		
	M. Lacroix - DE CFOs Meeting		448		
	N. Dooley - NCHELP Training		782		
	G. Silva - DE Training				\$ 302
American Express	T. Tedeschi - NCHELP Debt Meeting	268			
	C. Miller - NCHELP Leadership Meeting	336	416		
	M. Lacroix - NCHELP Leadership Meeting	306			
	G. Mance-Rios NCHELP Leadership Meeting	360	416		
	N. Dooley - DE Training		376		
	G. Silva - DE Training		376		
	N. Dooley - NCHELP Program Meeting	341			
Greg Silva	G. Silva - MYF Meeting		336		
American Express	W. Hurry - NCHELP Leadership Meeting		832		
	W. Hurry - MYF Meeting		491		
	W. Hurry - NCHELP Meeting	407	285		
	T. Tedeschi - NCHELP Debt Meeting	487	535		
	C. Miller - Meteor Project Meeting		491		
	C. Miller - Meteor Project Meeting	335			
	C. Miller - Meteor / MYF Meeting	366			
	M. Lacroix - NCHELP Leadership Meeting		416		
	G. Silva - MYF Meeting	329			
American Express	W. Hurry - NEBHE Meeting		224		
	W. Hurry - NCHELP Debt Meeting	372			

(continued)

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF AGENCY OPERATING FUND TRAVEL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2005

Payee	Purpose of travel	Airfare	Lodging	Meals	Automobile and other
American Express	T. Tedeschi - NCHELP Debt Meeting	\$ 352			
	C. Miller - NE Guarantors Meeting		\$ 214		
	C. Miller - Meteor Project Meeting		484		
	G. Mance-Rios - NE Guarantors Meeting		214		
	N. Dooley - NCHELP Program Meeting		301		
	D. Carlin - NCHELP Debt Meeting	367			
	J. Greenough - Meteor / MYF Meeting	442			
American Express	W. Hurry - Meteor / MYF Meeting	417			
	W. Hurry - NCHELP Debt Meeting				\$ 268
	T. Tedeschi - NCHELP Debt Meeting		713		
	C. Miller - Meteor / MYF Meeting		539		202
	C. Miller - Meteor Project Meeting	549			
	M. Lacroix - NCHELP CFOs	1,039			
	N. Dooley - DE / NSLDS Meeting		462		
	J. Greenough - Meteor / MYF Meeting		672		
Greg Silva	G. Silva - MYF Meeting		371		
Diane Carlin	D. Carlin - NCHELP Debt Meeting		1,070		
American Express	W. Hurry - NCHELP Meeting	234			
	W. Hurry - Meteor / MYF Meeting		341		282
	C. Miller - Meteor Project Meeting		753		
	C. Miller - NCHELP Meeting	336			
	C. Miller - Meteor Project Meeting	474			
	C. Miller - Meteor Project Meeting	504			
	M. Lacroix - NCHELP Meeting	224			
	N. Dooley - NCHELP Debt Meeting		1,070		
	G. Silva - EASFAA Conference	374			
	K. Cournoyer - Network Training		779		
	M. Cote - Network Training		736		
Diane Carlin	D. Carlin - EASFAA Conference		476		264

(continued)

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF AGENCY OPERATING FUND TRAVEL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2005

<u>Payee</u>	<u>Purpose of travel</u>	<u>Airfare</u>	<u>Lodging</u>	<u>Meals</u>	<u>Automobile and other</u>
Greg Silva	G. Silva - EASF AA Conference		\$ 508		
American Express	W. Hurry - NCHELP Meeting	\$ 439	246		
	T. Tedeschi - NCHELP Debt Meeting		375		
	C. Miller - Meteor Project Meeting		474		\$ 214
	N. Dooley - EASF AA Conference				233
	C. Miller - NCHELP Meeting		306		
	C. Miller - Meteor Project Meeting		483		
	N. Dooley - NCHELP Policy Meeting		452		
	M. Lacroix - NCHELP Meeting		441		
Amounts less than \$200		<u>3,293</u>	<u>3,589</u>	<u>\$ 8,492</u>	<u>10,694</u>
Total	\$72,244	<u>\$ 18,954</u>	<u>\$ 30,967</u>	<u>\$ 9,081</u>	<u>\$ 13,242</u>

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF SCHOLARSHIP AND GRANT OPERATING FUND TRAVEL EXPENSES

YEAR ENDED JUNE 30, 2005

<u>Payee</u>	<u>Purpose of travel</u>	<u>Airfare</u>	<u>Lodging</u>	<u>Meals</u>	<u>Automobile and other</u>
American Express	M. Welch - NASSGAP Conference	\$ 237			
	M. Joyce - NASSGAP Conference	414			
American Express	M. Welch - NASSGAP Conference		\$ 405		
American Express	M. Welch - NASSGAP Conference		546		
Amounts less than \$200		<u>198</u>	<u>133</u>	<u>\$ 105</u>	<u>\$ 696</u>
Total	\$2,734	<u>\$ 849</u>	<u>\$ 1,084</u>	<u>\$ 105</u>	<u>\$ 696</u>

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF RIHEST ADMINISTRATIVE FUND TRAVEL EXPENSES

YEAR ENDED JUNE 30, 2005

Payee	Purpose of travel	Airfare	Lodging	Meals	Automobile and other
American Express	M. Joyce - CSPN Meeting		\$ 234		
American Express	W. Hurry - NAST/529 Meeting	\$ 239			
American Express	W. Hurry - NAST/529 Meeting		400		
	M. Joyce - NAST/529 Meeting				\$ 297
	M. Joyce - CSPN Meeting		213		
American Express	M. Joyce - NAST/529 Meeting		533		
American Express	W. Hurry - NAST/529 Meeting	269	479		
	M. Joyce - NAST/529 Meeting		1,116		
	N. Dooley - EASFAA Conference		473		
	M. Joyce - NASSGAP Conference		546		
Amounts less than \$200				\$ 752	\$ 1,413
	Total \$6,964	<u>\$ 508</u>	<u>\$ 3,994</u>	<u>\$ 752</u>	<u>\$ 1,710</u>