



# Rhode Island Student Loan Authority

## ANNUAL REPORT

Fiscal Year Ended  
June 30, 2019  
And Dated  
December 31, 2019



# RISLA

RHODE ISLAND STUDENT  
LOAN AUTHORITY

RISLA 2019 ANNUAL REPORT

**BOARD OF DIRECTORS**

Mr. Robert J. Delaney, *Chairperson*  
Ms. Sandra Mack, Esq., *Vice-Chairperson*  
Mr. Daniel Egan, *Secretary & Treasurer*  
Mr. Seth Magaziner, *General Treasurer, State of RI*  
Ms. Kelly A. Morrissey  
Ms. Bonnie Saccucci

Charles P. Kelley, *Executive Director*

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# INTRODUCTION

On behalf of the leadership and staff of the Rhode Island Student Loan Authority (“RISLA”), we are proud to share with you our 2019 annual report. Since 1981, RISLA has served as a non-profit quasi-state authority that is committed to providing affordable higher education solutions for Rhode Islanders. This past year included a number of accomplishments that reflect our commitment to student success.

The following pages demonstrate our efforts as a lender of low-cost state-based education loans, along with programs and services to ensure that our borrowers make the most informed and responsible decisions possible. We continue to offer the services of RISLA’s College Planning Center (“CPCRI”), which assisted over 16,700 students and families with one-on-one counseling on accessing financial aid, college selection, and researching available scholarship funds.

We offer the safety and security of fixed rate education loan programs that are among the most affordable of any in the nation. Our loan programs all come with no upfront fees and flexible repayment options. We also provide a refinancing program for loans, helping students and families save hundreds and even thousands of dollars in interest charges.

Beyond our loan programs, we remain committed to the success of students through an array of services. We offer a loan forgiveness program for students who complete a qualifying internship. We also are proud of our rewards programs that include interest free repayment terms on loans for nurses and other health professionals that agree to work in Rhode Island after graduation. RISLA is also ensuring that students are not burdened by heavy debt through our outreach efforts in local schools. We provide scholarship funds for students who complete our financial literacy course, and have increased our outreach in urban communities to encourage completion of federal financial aid forms. Our goal is to empower students on making sound financial decisions, while helping them access all the free funds that are available for college.

As always, we are proud to note that all of these initiatives are provided to students and families independent of any funding or appropriation from the State of Rhode Island.

This report highlights a host of initiatives and services that RISLA was proud to offer in 2019. These efforts are a direct result of the hard work and commitment of the employees at RISLA and the CPCRI. These efforts are also made possible through the leadership and direction of our volunteer board of directors, including Chairman Robert Delaney, Vice Chair Sandra Mack, Secretary/Treasurer Daniel Egan, General Treasurer Seth Magaziner, Kelly Morrissey, and Bonnie Saccucci.

  
Charles P. Kelley  
Executive Director

  
Noel Simpson  
Deputy Director & Chief Financial &  
Compliance Officer

## HIGHLIGHTS 2019

In 2019 the Rhode Island Student Loan Authority continued to fulfill its goal of making higher education more accessible and affordable for Rhode Islanders. RISLA embarked on several initiatives throughout the year, leading to a host of accomplishments. The highlights include:

### **RISLA Provides \$113.4 Million in Low, Fixed Interest Rate Loans in Fiscal Year 2019**

During Fiscal Year 2019, RISLA provided approximately \$61.8 million in undergraduate loans to 3,422 students and families. The interest rate students received depends on the repayment option, not on a credit score. In Fiscal Year 2020, RISLA's immediate repayment option features a ten-year term and represents the lowest cost option with a fixed rate as low as 3.64% (with a discount for auto debit). The deferred repayment option features a 15-year term and allows students to defer their loan payments until 6 months after they leave school and offers a fixed rate as low as 5.64% (with a discount for auto debit). These rates make Rhode Island's education loan offerings some of the best in the country.

RISLA offers a Parent Loan program for Fiscal Year 2020, featuring a 10-year loan at a fixed rate as low as 4.64% (with a discount for auto debit). The Parent Loan carries no prepayment penalties and no origination fees. RISLA's interest rate on this loan compares quite favorably to the 7.08% offered on the federal PLUS loan.

The agency also offers a student loan refinancing option with a fixed interest rate for borrowers with private or Federal student loans. During Fiscal Year 2019, RISLA refinanced approximately \$51.6 million of student loans for 1,069 borrowers. In Fiscal Year 2020, RISLA is offering a student loan refinancing option as low as 3.49%. Refinancing loan options are offered with terms of 5, 10 or 15 years, with the ability to refinance up to \$250,000. The refinancing program helps make repaying education loans easier and is available to students regardless of their residency or if they attended schools outside of Rhode Island.

All of RISLA loan programs are offered with no origination fees. RISLA eliminated origination fees on all its loan programs in FY 2016.

### **RISLA Also Offers Attractive Graduate Loan Program**

Like its variety of options for undergraduate lending, RISLA is proud to offer a graduate student loan program. Graduate students are able to benefit from RISLA's easy online application, the choice of immediate or delayed repayment options, the choice of borrowing in the student or parent name, and no application, origination or upfront fees. The graduate loan program allows borrowers to apply for income-based repayment, which can make payments more affordable. Payments can also be delayed for up to one year with RISLA's forbearance program. RISLA graduate loan programs features fixed rates as low as 3.64% for immediate repayment and 5.64% for deferred repayment, with a maximum loan amount of up to \$45,000 per year.

## **All RISLA Loans Come with the *RISLA Advantage***

As the leading nonprofit resource for Rhode Island students and families, RISLA strives to help people borrow responsibly. Along with providing financial literacy tools, borrowing guides, and in-person support, RISLA is proud to stand by its loan products with the *RISLA Advantage*. The *Advantage* includes easy online applications with quick pre-qualification; multi-year approval so borrowers can receive loan approval for multiple years of college with a single application; options for delayed or immediate repayment; the choice of borrowing in the student or parent's name; no application, origination, or upfront fees of any kind; borrower protections – including income based repayment to make payments more affordable; and cosigner release to qualifying students after the first 24 months of consecutive on-time payments.

## **RISLA Launches “Knowledge for College” Financial Literacy Scholarship**

In October, RISLA launched a new scholarship program to broaden the awareness of responsible personal financial decisions among students. The “Knowledge for College” scholarships are designed to help students as they prepare for, attend, or pay for college. RISLA hosts a monthly financial literacy learning module at [www.risla.com/fin-lit-quiz](http://www.risla.com/fin-lit-quiz), where Rhode Island students have the opportunity to win \$2,000 by answering financial literacy questions pertaining to credit, budgeting, and other college-related financial topics. The goal of the program is to provide some help for Rhode Island students to cover their tuition, as well as increase their knowledge of important financial decisions. The “Knowledge for College” scholarships are only available to Rhode Island residents and you must be a high school senior, attend college, or attend graduate school to be eligible.

## **RISLA Launches Grassroots Campaign to Increase Completion of Financial Aid Forms in Urban Communities**

In February, RISLA and its College Planning Center launched a comprehensive grassroots campaign aimed at getting more financial aid to students interested in attending college. The goal of the campaign is to increase the completion rate of the FAFSA (Free Application for Federal Student Aid), which is a gateway to free federal and college grants and federal loans. RISLA, working with the Rhode Island Department of Education and the Office of Governor Gina Raimondo, developed a campaign that provides students with the tools they need to complete the forms in an easy and hassle-free way, with one-on-one support in both English and Spanish. The campaign, dubbed “It’s FaFSAszn” features Rhode Island high school students in social media ads and videos and utilizes texting as a means for them to receive help through RISLA’s website. The campaign includes “how-to videos” in English and Spanish, a FAFSA hotline throughout the month of February, bus shelter advertising, radio ads on English and Spanish speaking stations, and social media student interns from urban high schools throughout the state who compete for prizes by signing up friends and peers. As a result of the campaign, Rhode Island ranked 5th highest in the country for FAFSA completion in 2019.

## **FAFSA Outreach Events at Local High Schools**

The College Planning Center of RI (“CPCRI”) offered a series of free outreach events in the fall to assist students completing FAFSA forms. The events were held at high schools throughout Rhode Island, including Hope High School, Middletown High School, E-Cubed Academy, the Juanita Sanchez Educational Complex, the 360 High School, Coventry High School, Central Falls High School, Classical High School, Smithfield High School, Johnston High School, and Woonsocket High School.

## **RISLA Joins General Treasurer in Loan Forgiveness Program for 2,900 Borrowers**

In June, RISLA joined General Treasurer Seth Magaziner in announcing a loan forgiveness program for approximately 2,900 of its borrowers. Tax exempt student loan bond issuers like RISLA have the ability to forgive a portion of a student loan if an individual bond issue performs significantly better than expected after 7 to 10 years of loan repayment history and incurs very low defaults. RISLA provided this forgiveness to loans in the impacted bond issues without risking a rating downgrade or negatively impacting bond holders. The loans funded by RISLA’s 2010-A, 2012-A, and 2013-A bonds were part of the forgiveness initiative, where a total of 2,900 loans were reduced at a value of \$2.4 million.

## **RISLA Offers Assistance During Government Shutdown**

During the federal government shutdown in January, RISLA announced that it would suspend repayment of college loans for federal employees that were not being paid. The effort included military personnel and lasted the duration of the government shutdown. RISLA sprung into action when the shutdown occurred, applying a forbearance on a month to month basis for the length of the shutdown for all federal employees either furloughed or not receiving compensation. All borrowers had to do was contact RISLA by phone to alert them to the loss of pay during the government work stoppage. No fees were assessed to borrowers by RISLA.

## **RISLA Participates in Workgroup on Protecting Student Loan Borrowers**

RISLA was proud to participate in a workgroup of the Office of the Postsecondary Commissioner, that provided recommendations for student loan borrower protection in February. RISLA’s Executive Director Charles Kelley served on the workgroup, which included leaders from state government and representatives of colleges and universities. The report provided recommendations to the General Assembly including registration requirements for student loan servicers, standards for the servicing of student loans, enforcement tools for those overseeing the industry, and borrower assistance guidelines. RISLA is committed to its longstanding practices of responsible lending and was proud to be the only student loan servicer as a member of this important workgroup.

## **RISLA Proudly Supported Passage of Student Loan Bill of Rights Legislation**

As an outgrowth of the Office of Postsecondary Commissioner's workgroup on protecting student loan borrowers, the RI General Assembly passed legislation to codify most of the group's recommendations. RISLA played an important role in supporting the legislation for a Student Loan Bill of Rights, championed by General Treasurer Seth Magaziner, Attorney General Peter Neronha, Senator Dawn Euer, and Representative Joseph McNamara. RISLA Executive Director Charles Kelley offered testimony in support of the legislation in the House and Senate Finance Committees, which was passed by the General Assembly in June and signed into law by Governor Raimondo in July.

## **Loan Reward Programs Continue to Assist Rhode Island Students**

RISLA continued its longstanding commitment of offering students more ways to save on their education through its loan forgiveness programs. For many years, RISLA has provided reward programs for those working as nurses or nurse educators in the state. The Nursing Rewards program provides graduates who remain in Rhode Island to work as nurses a zero percent interest on loans for up to four years.

RISLA is also proud to collaborate with leading organizations in the state to offer a Primary Care Provider Loan Repayment program for health professionals including nurse practitioners and physician assistants. The program is funded by Blue Cross & Blue Shield of RI, United Healthcare, the RI Medical Society, and the RI Foundation, and administered by RISLA. Loan repayments awards are provided to primary health care providers in exchange for service commitments to those newly recruited to the state. Awards go directly to pay educational loans, up to \$40,000 for qualifying recipients.

## **Loan Forgiveness for Internships**

Along with RISLA's loan reward programs for nurses and primary care providers, the organization is proud of a loan forgiveness program for students who participate in internships. The program is designed to reduce student indebtedness while helping them improve their marketability to employers after college. Under the program, students can earn loan forgiveness up to \$2,000 by completing an eligible internship. The program is open to all Rhode Island students or those attending an institution of higher education in the state.

## **RISLA's Ongoing Commitment to Financial Literacy**

RISLA continues its efforts to offer free online tools and financial literacy seminars to students from all over Rhode Island. The financial literacy resources include detailed overviews on topics like debt management, how to pay for a college, understanding of general financial terms, basic budgeting, credit, and much more. RISLA also offers a comprehensive comparison of student loan options, including a review of RISLA's education loans versus federal education loans. RISLA and its board remain committed to the principle of borrowing responsibly and properly managing finances as an important key to student success.

## **RISLA Scholarship Awards**

For the sixteenth consecutive year, RISLA was proud to award 25 scholarships to deserving Rhode Islanders. The \$50,000 in scholarships was awarded randomly to qualified students from across Rhode Island at a May 31<sup>st</sup> ceremony in the State House. RISLA scholarships are awarded to Rhode Island residents who submit a copy of their federal student aid report showing an expected family contribution of \$13,800 or less.

## **Expanded Hours and Outreach for Families at the College Planning Center**

In 2019, the CPCRI expanded its hours to better serve the over 16,700 students and families who utilize its services annually. Services offered by the CPCRI staff included assistance with completing the FAFSA application as well as completion of the College Scholarship Service Profile. As always, the CPC's services are free of charge. During the year, the CPCRI staffed an office at the Warwick Mall, and its northern Rhode Island office in Lincoln. Expanded hours during 2019 included nights and weekend sessions, complemented by the CPCRI's interactive website: [www.collegeplanningcenter.org](http://www.collegeplanningcenter.org).

## **College Planning Center Hosts Tenth Annual PawSox College Fair**

On September 23<sup>rd</sup>, the CPCRI hosted a major college fair for students throughout the state at McCoy Stadium in Pawtucket. High school students and families participated in the event, which brought together over 120 college representatives from throughout the country. The free event allowed attendees to find good matches both academically and financially when searching for a college. The CPCRI gained significant publicity through the PawSox organization and its media partners for the event. Students who pre-registered for the event were also eligible for a scholarship drawing. This year marked the 10<sup>th</sup> anniversary of the college fair event.

## **RISLA Joins U.S. Senator Jack Reed for College Aid Workshop**

U.S. Senator Jack Reed held his 29<sup>th</sup> annual College Aid Workshop at Cranston West High School on October 7<sup>th</sup>. RISLA Executive Director Charles Kelley joined Sen. Reed in the presentation to students and families. College Planning Center of RI Director Stacy Crooks also participated in the program. RISLA has enjoyed a longstanding tradition of working with Senator Reed on his college aid workshops.

## **Two New Members Join RISLA Board**

Governor Gina Raimondo appointed two new members to the RISLA Board of Directors. Both appointees were confirmed by the RI Senate in June. Kelly Morrissey is the Director of Financial Aid at Community College of RI. She has more than 30 years of experience in public higher education, having held various leadership roles in financial aid professional associations at the state, regional, and national levels. Bonnie Saccucci is the Director of Financial Aid at the University of Rhode Island. She has worked in the financial aid field for over 25 years. RISLA is proud to have these two new members of its volunteer board.

## LOOKING AHEAD

2019 marked our 38<sup>th</sup> year of providing Rhode Island students and families with educational financing options that are among the most competitive in the nation. We take tremendous pride in these loan programs and are equally proud of the tools we offer to ensure that borrowers are making the most informed decisions on their future. We are committed to our mission of student success and will continue this focus in the coming year.

As we enter a new decade, we are fully aware of the student debt crisis that has gripped our country. Lenders that use aggressive marketing techniques and risky loan products have saddled students and families with debilitating debt. As a responsible, non-profit state authority, RISLA is working to counter this trend. We offer a full range of information and support to students and families prior to utilizing any of our loan products. This commitment to informed borrowing is seen in our financial aid counseling through the College Planning Center and our financial literacy outreach to area high schools. These efforts reflect our unwavering commitment to student success.

RISLA will also continue to counter the student debt dilemma with an enhanced focus on educating students from urban communities. Many of these students are the first in their families to go to college and come from homes where English is a second language. We recognize that these students can be overwhelmed by the prospect of paying for college. That is why we will continue to offer programs like our bilingual “It’s FaFSAszn” campaign, where students are assisted with completing federal financial forms. Helping students obtain as much financial aid as possible leads to a decreased need for borrowing, thus avoiding taking on too much debt.

Giving students the tools to access aid is a primary focus that complements our ongoing efforts to provide the most affordable educational financing options. In 2020, we will again strive to offer the safety of our fixed rate loan programs with interest rates and repayment options that are among the best in the country. Our commitment to responsible lending and our low default rates allow us to offer such attractive loan programs. Unlike our for-profit competitors, our programs will continue to have no upfront fees and flexible repayment options.

The start of the new decade provides an opportunity for RISLA to continue to stand out from the rest. Our nearly four decades of providing services and programs has led to the success of countless students. We recognize the challenges that are faced by rising higher education costs and intense marketing by lenders who do not share our commitment to students making responsible choices. The dedicated efforts of our board of directors and our entire team serve as the best counter to the difficulties that exist in the student loan marketplace and will continue to be the best resource for Rhode Islanders seeking to achieve their higher education goals.

# SUMMARY OF RISLA PROGRAMS ADMINISTERED

Fiscal Year Ended June 30, 2019

## Rhode Island Student Loan Program

- RISLA has offered Fixed Rate Student Education Loans since 1992. These loans feature varied terms, flexible repayment options, and zero origination fees or prepayment penalties. The interest rates vary by product type and are consistently among the lowest in the country, notably lower than the Federal Parent and Graduate Student PLUS Loans.
- On April 30, 2019, RISLA issued Tax Exempt Fixed Rate Student Loan Program Revenue Bonds in the amount of \$63,215,000. The purpose of this bond issue was to fund fixed rate student loans originated in FY 2020.
- On August 27, 2019 RISLA issued Taxable Fixed Rate Student Loan Program Revenue Bonds in the amount of \$40,820,000. The purpose of this bond issue was to fund fixed rate refinancing loans in FY 2020.
- Among RISLA's product types are the Immediate Repayment Student Loan (for the lowest possible interest rate), the Deferred Repayment Student Loan (for those who want to start repayment after college), the Parent Loan (for Parents who do not want their child's name on the loan), and the Refinance Loan (for those who want to combine Federal and/or private loans into one low interest rate loan).

## RISLA Education Loans

- For the 2019/20 academic year, RISLA offers a 10-year RISLA Student Loan with a fixed rate as low as 3.64%, after a discount of .25% for auto debit for borrowers who choose an immediate repayment loan. In addition, deferred repayment options are also available, which delays repayment until after the student is out of school. A co-signer release option is available for qualifying borrowers after two years of repayment and meeting specified credit criteria.
- For the 2019/20 academic year, RISLA offers a 10-year college loan for parents with a fixed rate of 4.64%, after a discount of .25% for auto debit. There are no origination fees or prepayment penalties.
- RISLA offers a low fixed rate student loan refinancing program to help make repaying private, PLUS, and Stafford loans easier for all borrowers. Refinancing student loan borrowers can potentially reduce their interest rate, monthly payment or total debt service. Borrowers can choose a 5, 10, or 15-year term. RISLA provides borrowers who are considering refinancing a comprehensive disclosure regarding potential federal student loan income driven repayment and loan forgiveness programs that the student will give up when refinancing their student loan.

## College Planning Center of Rhode Island (CPCRI)

- Started by RISLA in 1998, the CPCRI provides free expert college admissions and financial aid counseling to parents and students. The CPCRI is staffed by former financial aid and college planning counselors.
- CPCRI staff provides one-on-one counseling to parents and students in completing the often complex financial aid forms such as the Free Application for Federal Student Aid (FAFSA) and the College Board's CSS Profile financial aid application.
- Working with high school counselors, CPCRI staff provide workshops on financial aid, essay writing and college selection.
- The College Planning Center of Rhode Island assisted 16,756 parents and students through in-person counseling and seminars to assist with their college planning needs in FY 2019.
- The CPCRI website located at [www.RISLA.com](http://www.RISLA.com) contains many financial aid and admissions resources including a scholarship search service containing many locally based scholarships.

## RISLA's Access Scholarship Fund

- \$50,000 need based annual scholarship fund.
- RISLA has funded 400 need based scholarships totaling \$800,000 from FY 2004 through FY 2019.
- RISLA has replaced the Access Scholarship with a Financial Literacy Scholarship for FY 2020. In order to help Rhode Island residents cover tuition, reduce the need for college borrowing, and increase their knowledge of financial topics related to student lending, RISLA's Knowledge for College Scholarship provides a chance for entrants to win scholarship funds while in their senior year of high school or any year of college.

## Nursing Rewards Programs

- RISLA offers a zero interest loan for the first four years of repayment through the Nursing Program. Eligible applicants must have a RISLA Student Loan or RISLA Parent Loan issued between July 1, 2011 through June 30, 2020, and work in a licensed Rhode Island facility providing direct patient care.
- Fifty-seven nurses are currently enrolled in the Rewards programs. An eligible nursing student with \$15,000 loan balance can potentially save over \$2,000 in interest payments with RISLA's rewards programs.

## Customer Service

- RISLA is known for its superior customer service. A local presence is important for schools and students and that factor distinguishes RISLA from its out-of-state competition.
- RISLA provides a locally operated call center for students and schools; locally operated loan disbursement center; default prevention programs for students and schools; and financial literacy counseling. By establishing our local presence, our loan origination staff is available to meet with students and their families to explain the various loan programs, assist in completion of loan applications and help to clear credit issues.
- Technology plays an important role in providing superior customer service. RISLA has invested in communication equipment, hardware and software to ensure that RISLA stays ahead of the pack in customer service.
- Information on the Authority's programs is available by calling 1-800-758-7562 or locally at 401-468-1700 or on the web at [www.RISLA.com](http://www.RISLA.com).

## MEETING MINUTES AND RULES AND REGULATIONS

In accordance with the RI Open Meeting Laws, R.I. Gen. Laws. § 42-46-7(d), all public bodies are required to file a copy of the minutes of all open meetings with the secretary of state for inspection by the public within thirty-five (35) days of the meeting.

The Rhode Island Student Loan Authority's Board of Directors Meeting Minutes for fiscal year ended June 30, 2019 can be found on the Office of Secretary of State's website at the following address: <https://opengov.sos.ri.gov/OpenMeetingsPublic/OpenMeetingDashboard?subtopmenuId=201&EntityID=3405&MeetingID=968732>

RISLA's promulgated rules and regulations can be found on the Office of Secretary of State's website at the following address: <https://rules.sos.ri.gov/organizations/title/850>

A summary of the RISLA Board of Directors meeting minutes can be found on the following pages of this annual report.

# OPERATING STATEMENT

## Summary of Board of Directors Meetings

Year Ending June 30, 2019

### Board meeting Date: July 20, 2018

Items discussed and voted:

- 1) Discussed and reviewed State Transparency requirements
- 2) Voted to elect officers for the RISLA Board of Directors

### Board meeting Date: September 28, 2018

Items discussed and voted:

- 1) Voted to approve the 2018 audited Financial Report
- 2) Discussed employer partnerships and loan forgiveness programs
- 3) Voted to approve marketing research services
- 4) Voted to approve sponsorship/advertising for RI Jump Start Financial Literacy Capability Conference
- 5) Voted to increase the salaries for the Executive Director and Deputy Director by 3% retroactive to July 1, 2018

### Board meeting Date: December 7, 2018

Items discussed and voted:

- 1) Discussed and voted to approve a revised budget for the FAFSA Completion Project
- 2) Voted to approve a bond issuance resolution for the 2019/2020 school year funding
- 3) Voted to select Patti Doyle Communications and Figments for RISLA's immediate marketing support
- 4) Voted to approve the annual membership with AICURI

### Board Meeting Date: January 25, 2019

Items discussed and voted:

- 1) Discussed the Governor's Scoop proposal
- 2) Discussed the RI State Transparency Audit conducted by the Office of Internal Audit
- 3) Voted to approve advertising at the Academic Decathlon

## RISLA 2019 ANNUAL REPORT

### **Board Meeting Date: March 1, 2019**

Items discussed and voted:

- 1) Discussed and voted to approve a bond authorizing resolution for the 2019/2020 school year funding
- 2) Discussed loan forgiveness in regards to yield restriction compliance
- 3) Reviewed unaudited December 31, 2018 financial statements

### **Board Meeting Date: March 29, 2019**

Items discussed and voted:

- 1) Discussed FAFSA completion efforts
- 2) Voted to approve a Loan Forgiveness Program
- 3) Voted to approve an amendment to the Webster Line of Credit agreement

### **Board Meeting Date: May 31, 2019**

Items discussed and voted:

- 1) Discussed communication plans for the loan forgiveness program
- 2) Discussed the hiring of a Marketing Operations Director
- 3) Discussed activities and results of the FAFSA completion project
- 4) Discussed strategic planning and preliminary budget plans for fiscal year 2019/2020

### **Board Meeting Date: June 28, 2019**

Items discussed and voted:

- 1) Voted to approve the FY 2020 budget
- 2) Voted to approve the bond authorizing resolution for refinancing loans
- 3) Discussed the audit results of California Department of Business Oversight

# STAFF SUPPORTED BY RISLA FUNDS AND DEBT AND ARBITRAGE REBATE

## Staff Supported by RISLA Funds

RISLA receives no state appropriation and is entirely funded through revenues generated from its student loan programs and bond issues which are not in any way guaranteed by the state. RISLA's authorizing statute (RIGL Chapter 16-62) grants the Board of Directors the authority to appoint an Executive Director to run the day-to-day operations of RISLA. As of December 2019, RISLA had 39 full time employees who were responsible for managing RISLA's programs, financial reporting and the control and accounting of the flow of funds in RISLA's bond trust estates.

The Authority has separate agreements with Nelnet, University Accounting Services and Pennsylvania Higher Education Assistance Authority to provide in school and loan repayment servicing for RISLA's student loan portfolio.

# TRAINING COURSES HELD AND RISLA FINANCIAL SUPPORT

## Summary of Training Courses Held Pursuant to This Chapter

RISLA's staff has attended or viewed the training sessions conducted by the Attorney General, the State Ethics Commission, and the University of Rhode Island School of Continuing Education on Open Meetings, Retention of Public Records and Ethics Commission gift and conflict requirements. Board members were briefed by RISLA's General Counsel on the state's Conflict of Interest Laws.

# RISLA FINANCIAL REPORTS

## **RISLA Financial Report for Fiscal Year 2019**

On the next several pages is RISLA's statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to financial statements for the year ending June 30, 2019. RISLA's complete audited financial statements, including the auditor's opinion letter and management discussion and analysis, is available on the web at [www.RISLA.com](http://www.RISLA.com) or by calling the Authority at 401-468-1700.

**RHODE ISLAND STUDENT LOAN AUTHORITY  
(A RELATED ORGANIZATION OF THE  
STATE OF RHODE ISLAND)**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**RHODE ISLAND STUDENT LOAN AUTHORITY  
(A RELATED ORGANIZATION OF THE STATE OF RHODE ISLAND)**

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## INDEPENDENT AUDITORS' REPORT

To the Board Members  
**Rhode Island Student Loan Authority**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Rhode Island Student Loan Authority, (a related organization of the State of Rhode Island), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Student Loan Authority as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of the Rhode Island Student Loan 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island Student Loan Authority’s internal control over financial reporting and compliance.

*Marcum LLP*

Providence, RI  
September 30, 2019

# RHODE ISLAND STUDENT LOAN AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

As management of the Rhode Island Student Loan Authority (RISLA or the Authority), we offer readers of RISLA's financial statements this overview and analysis of our financial activities for the fiscal year (FY) ending June 30, 2019. RISLA's management encourages readers to review the entire financial report and contact the Authority with any questions or comments.

In Fiscal Year 2019, RISLA continued to offer its RISLA Student Loan program, which is a fixed rate loan product. RISLA management believes that the RISLA Student Loan offers attractive terms and conditions and benefits as compared to other student loan programs in the market. This loan program gives student borrowers two options. Students could choose a ten-year immediate repayment option at a 3.99% fixed rate with automatic payment or choose a deferred repayment option at a fixed rate of 6.24% for a fifteen-year term with automatic payment. No payments are required on the 15-year loan until six months after the student graduates or leaves school. RISLA also offered a ten-year parent loan with a fixed interest rate of 5.24% with automatic payment. RISLA was able to offer these low fixed rates with no upfront or origination fees for all borrowers. RISLA originated approximately \$61.8 million in RISLA Student Loans in FY 2019.

Beginning in Fiscal Year 2015, RISLA was the first state-based organization to offer a refinancing program for borrowers with private or Federal student loans. The refinancing program provides borrowers the opportunity to ease their financial burden with the security of low, fixed rates and favorable repayment terms. For the FY 2019, RISLA refinanced approximately \$51.6 million of student loans for 1,069 borrowers. Utilizing the financial strength of its Statements of Net Position, RISLA was able to secure an additional twenty-million-dollar line of credit to help fund both the refinance and in-school loan programs. The refinancing program helped borrowers save on average over \$6,500 in interest costs over the term of the loan. RISLA has issued \$40.8 million to fund its in-school and refinancing programs in FY 2020.

RISLA has offered college access initiatives through its College Planning Center of Rhode Island (CPC) since 1998. There are currently two locations, Warwick and Lincoln, and they provide free expert and personal assistance to students and parents in the areas of college admission and financial aid. In FY 2019, the staff at the CPC provided assistance to approximately 16,756 individuals and hosted 128 financial aid seminars. In addition, the CPC initiated a Free Application for Financial Aid (FAFSA) completion program to increase the number of high school students in the state that completed the FAFSA application. This initiative helped the State of Rhode Island achieve the highest percentage increase in the country of students that completed the form as compared to the prior year. The CPC also provides a searchable data base of approximately 665 hard to find, local scholarships. RISLA and the CPC work closely with the Spanish and Latino speaking population in Rhode Island with a goal of increasing college attendance and success among the Latino residents of the state.

During Fiscal Year 2019, RISLA offered various loan forgiveness initiatives that directly reduced or eliminated a borrower's student loan balance. The combination of loan forgiveness, internship rewards, and nurse educator rewards resulted in loan forgiveness for 2,838 borrowers and \$2,364,367 of principal and interest forgiveness.

RISLA administers a student loan forgiveness program that is funded by the Rhode Island Foundation. Under this program, RISLA manages all aspects of student loan forgiveness according to policy guidelines established by the Foundation. The program offers student loan forgiveness to qualified applicants for four professions, Primary Care Physicians, Nurse Practitioners, Physicians Assistants, and Oral Health Professionals. Funding for the primary care and oral health loan forgiveness programs have been exhausted so the Authority is not accepting new applications. The programs require the applicant to be employed in the State of Rhode Island to be eligible. Qualified applicants receive annual awards that are sent directly to the holder of their student loan. To date, RISLA has received approximately \$2.5 million in funds for the programs and has assisted 64 professionals.

RISLA issued \$98,215,000 in new bonds in FY 2019, \$35,000,000 was used for RISLA's refinancing program in FY 2019 and \$63,215,000 will be used to fund RISLA's education loan programs in FY 2020.

RISLA holds and administers their portfolio of federally guaranteed Stafford, PLUS, and Consolidation loans issued under the Federal Family Education Loan program (FFELP) which had a principal balance of \$157,167,726 at June 30, 2019.

### **Financial Highlights**

RISLA continues offering the RISLA Student Loan, which is an industry leading fixed rate student loan that has been offered for 27 years. RISLA originated approximately \$61.8 million in RISLA student loans in FY 2019, and was able to secure financing to originate another \$63.2 million for the FY 2020. In addition, RISLA originated approximately \$51.6 million in refinanced loans and issued an additional \$40.8 million in taxable bonds to continue offering refinance loans in FY 2020. The increase in RISLA student and refinanced loans originated helped to increase the loan receivable for RISLA in-school loans by approximately 10% and the total loan receivable by 1%.

Bonds payable increased from \$478,432,000 on June 30, 2018 to \$501,523,000 on June 30, 2019. This represents an increase of \$23,091,000 or 4.83%. In FY 2019, RISLA issued \$98,215,000 in new fixed rate bonds. RISLA redeemed \$75,124,000 in bonds through permitted bond calls and other scheduled bond payments.

Student loan revenues (net of Department of Education Special Allowance Payments) increased from \$31,387,687 on June 30, 2018 to \$33,114,181 on June 30, 2019. This represents an increase in income of \$1,726,494 or 5.50%. This increase was the result of the increased volume in FY 2019 for RISLA student and refinanced loans.

## Overview of the Financial Statement

The financial section of this annual report consists of three parts: management's discussion and analysis, the basic financial statements and the notes to the financial statements including other supplementary information.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain key points in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

The Authority's financial statements are prepared in conformity with accounting principles accepted in the United States of America (GAAP) as applied to the government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Position.

The Statements of Net Position reports the Authority's net assets and how they have changed. Net assets – the difference between the Authority's assets and liabilities and deferred inflows – is one way to measure the Authority's financial health or position.

## Financial Analysis

**Total Assets** - Student loan receivables are the largest component of assets and decreased from \$569,872,638 on June 30, 2017 to \$547,091,886 on June 30, 2018, which represents a decrease of 4.00%. Student loan receivables amounted to \$550,229,979 on June 30, 2019, an increase of 1% as compared to June 30, 2018. The other significant component of assets is cash and investments restricted by the terms of various trust indentures. The amount of restricted cash and investments on June 30, 2017 equaled \$116,507,686. Restricted cash and investments equaled \$117,859,724 and \$139,040,617 on June 30, 2018 and 2019, respectively. A large portion of the increase in restricted cash and investments in FY 2019 is due to the increased size of the bond issuance completed in April of 2019 to fund RISLA student loans in academic year 2019/20. Restricted cash and investment balances are primarily used to acquire student loans, retire bonds and other bank debt, and pay semiannual interest payments.

**Total Liabilities** – Total liabilities at June 30, 2019 increased by \$14,629,833, as compared to June 30, 2018, which represents an increase of 3%. Overall, bond debt comprises over 95% of the total liabilities. On June 30, 2017 bond debt outstanding, net of unamortized bond premium and discount, amounted to \$511,244,848. On June 30, 2018 bond debt outstanding amounted to \$484,565,487. On June 30, 2019 bond debt outstanding amounted to \$511,547,928.

**Net Position** - For fiscal year ended June 30, 2019, the Authority's total assets exceeded the total liabilities by \$185,384,951 for an increase of 4% as compared to June 30, 2018. At June 30, 2018 the total assets exceeded the total liabilities by \$178,003,573 which was an increase of 4%

as compared to June 30, 2017. A condensed summary of the Authority's net assets at June 30 is shown below.

### Statement of Net Position

	2019	2018	Percentage Change	2017	Percentage Change
<b>Current and non-current assets</b>	\$ 713,995,277	\$ 693,017,115	3.03%	\$ 706,379,676	-1.89%
Capital assets	<u>160,842</u>	<u>227,386</u>	-29.26%	<u>289,242</u>	-21.39%
<b>Total Assets</b>	<u>714,156,119</u>	<u>693,244,501</u>	3.02%	<u>706,668,918</u>	-1.90%
Current liabilities	30,623,951	24,352,497	25.75%	24,993,541	-2.56%
Noncurrent liabilities	<u>496,371,751</u>	<u>488,013,372</u>	1.71%	<u>506,221,579</u>	-3.60%
<b>Total liabilities</b>	<u>526,995,702</u>	<u>512,365,869</u>	2.86%	<u>531,215,120</u>	-3.55%
<b>Deferred Inflows of Resources</b>	<u>1,775,466</u>	<u>2,875,059</u>	-38.25%	<u>4,189,740</u>	-31.38%
Net Position					
Investment in capital assets	160,842	227,386	-29.26%	289,242	-21.39%
Restricted for debt service	126,501,764	112,580,954	12.37%	116,130,540	-3.06%
Unrestricted	<u>58,722,345</u>	<u>65,195,233</u>	-9.93%	<u>54,844,276</u>	18.87%
<b>Total Net Position</b>	<u>\$ 185,384,951</u>	<u>\$ 178,003,573</u>	4.15%	<u>\$ 171,264,058</u>	3.94%

### Financial Analysis

**Total Operating Revenues** - The Authority's operating revenues for the year ended June 30, 2019 was \$36,666,935, which was an increase of 8%, as compared to fiscal year ended June 30, 2018. The operating revenues at June 30, 2018 was \$34,102,506 which was an increase of 8% as compared to the fiscal year ended June 30, 2017. Operating revenues are primarily derived from student loan interest income from FFELP (net of DOE Special Allowance payments), RISLA in-school, and refinanced loans. These revenues increased by 6% for the year ended June 30, 2019.

**Total Operating Expenses** – The Authority's operating expenses for the year ended June 30, 2019 was \$29,285,557 which was an increase of 7% as compared to fiscal year ended June 30, 2018. The operating expenses at June 30, 2018 was \$27,362,991 which was an increase of 11% as compared to the fiscal year ended June 30, 2017. Interest expense for the fiscal year ended June 30, 2019 increased by \$1,512,385, or 9.75% as compared to June 30, 2018. This increase is the result of increased interest expense associated with additional debt to fund increased loan demand as well as the rising interest rate environment for the FFELP Floating Rate Notes. The provision for loan losses for the fiscal year ended June 30, 2019 increased by \$523,462 or 21.76% as compared to June 30, 2018, and was mainly the result of increased loan volume for both the RISLA student and refinanced loans for the fiscal year ended June 30, 2019.

**Changes in Net Position** - The Authority's changes in net position for the fiscal years ended June 30, 2019 and 2018 was \$7,381,378 and \$6,739,515 respectively, which was an increase of 10%.

### Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018	Percentage Change	2017	Percentage Change
<b>Loan Interest Income</b>	\$ 36,435,438	\$ 37,034,746	-1.62%	\$ 38,110,371	-2.82%
DOE special allowance payments	(3,321,257)	(5,647,059)	-41.19%	(8,773,389)	-35.63%
Other income	3,552,754	2,714,819	30.87%	2,320,804	16.98%
<b>Total Income</b>	36,666,935	34,102,506	7.52%	31,657,786	7.72%
Interest expense	17,028,075	15,515,690	9.75%	13,757,555	12.78%
Arbitrage rebate	(2,456,673)	503,150	588.26%	(37,436)	-1444.03%
Student loan forgiveness	2,283,367	--	0.00%	--	0.00%
External loan servicing	2,176,850	1,962,890	10.90%	1,991,397	-1.43%
DOE loan fees	511,577	635,697	-19.53%	733,702	-13.36%
Provision for loan losses	2,928,708	2,405,246	21.76%	2,109,021	14.05%
Other operating expenses	6,813,653	6,340,318	7.47%	6,081,939	4.25%
<b>Total Expenses</b>	29,285,557	27,362,991	7.03%	24,636,178	11.07%
Change in Net Position	7,381,378	6,739,515		7,021,608	
Net Position - Beginning of Year	178,003,573	171,264,058		164,242,450	
<b>Total Net Position - End of Year</b>	<u>\$ 185,384,951</u>	<u>\$ 178,003,573</u>	4.15%	<u>\$ 171,264,058</u>	3.94%

### Debt Administration

RISLA funds student loan notes receivable by issuing tax-exempt and taxable bank term financing. Tax-exempt bonds must receive an allocation of the State of Rhode Island private activity bond volume ceiling or "cap". The bonds issued by RISLA must comply with state and federal statutes and with rules and regulations of the U.S. Treasury Department and the U.S. Securities and Exchange Commission. Detailed information on RISLA's debt is presented in note 6 of the financial statements.

### Request for Information

This financial report is designed to provide a general overview of the Authority's financial activity for all those interested in the Authority's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rhode Island Student Loan Authority, 935 Jefferson Blvd., Warwick, Rhode Island, 02886.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## STATEMENTS OF NET POSITION

**JUNE 30, 2019 AND 2018**

	2019	2018
<b>Current Assets</b>		
Cash, cash equivalents and investments:		
Unrestricted:		
Cash	\$ 69,471	\$ 1,076,102
Cash equivalents	489,008	5,009,772
Restricted:		
Cash	1,911,676	1,841,534
Cash equivalents	130,707,450	106,439,992
Investments	6,421,491	9,578,198
Student loans receivable - current portion, net of allowance	55,144,274	52,552,116
Accrued interest receivable:		
Student loans	23,487,697	21,542,843
Investments	246,156	139,298
Other receivables	77,929	50,763
Prepaid expenses	354,420	246,727
<b>Total Current Assets</b>	<b>218,909,572</b>	<b>198,477,345</b>
<b>Noncurrent Assets</b>		
Student loans receivable - net of current portion and allowance	495,085,705	494,539,770
<b>Capital Assets</b>		
Capital assets, less accumulated depreciation of \$920,898 and \$822,878, respectively	160,842	227,386
<b>Total Assets</b>	<b>714,156,119</b>	<b>693,244,501</b>

*The accompanying notes are an integral part of these financial statements.*

# RHODE ISLAND STUDENT LOAN AUTHORITY

## STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2019 AND 2018

	2019	2018
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bonds payable, current portion	25,125,000	15,900,000
Note payable, current	2,134,615	4,887,278
Due to U.S. Department of Education	720,220	1,102,528
Accrued interest payable	1,824,085	1,490,460
Accounts payable and accrued expenses	684,027	761,351
Grants payable	136,004	210,880
<b>Total Current Liabilities</b>	<b>30,623,951</b>	<b>24,352,497</b>
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current portion and bond premium (discount) of \$10,024,928 and \$6,133,487, respectively	486,422,928	468,665,487
Note payable, noncurrent	9,469,797	16,369,935
Accrued arbitrage rebate	479,026	2,977,950
<b>Total Noncurrent Liabilities</b>	<b>496,371,751</b>	<b>488,013,372</b>
<b>Total Liabilities</b>	<b>526,995,702</b>	<b>512,365,869</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - loan origination fees	1,775,466	2,875,059
<b>Total Deferred Inflows of Resources</b>	<b>1,775,466</b>	<b>2,875,059</b>
<b>Net Position</b>		
Investment in capital assets	160,842	227,386
Restricted for debt service	126,501,764	112,580,954
Unrestricted	58,722,345	65,195,233
<b>Total Net Position</b>	<b>\$ 185,384,951</b>	<b>\$ 178,003,573</b>

*The accompanying notes are an integral part of these financial statements.*

# RHODE ISLAND STUDENT LOAN AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>Operating Revenues</b>		
Interest income:		
Student loans	\$ 36,435,438	\$ 37,034,746
U.S. Department of Education Special Allowance Payments	(3,321,257)	(5,647,059)
Investments, net	1,986,321	874,646
Fee income	1,566,433	1,840,173
<b>Total Operating Revenues</b>	<b>36,666,935</b>	<b>34,102,506</b>
<b>Operating Expenses</b>		
Interest	17,028,075	15,515,690
Provision for loan losses	2,928,708	2,405,246
Student loan forgiveness program	2,283,367	--
Provision (credit) for arbitrage rebate	(2,456,673)	503,150
U.S. Department of Education loan fees - consolidation rebate	511,577	635,697
Loan servicing and acquisition costs	2,176,850	2,063,278
Salaries	2,583,669	2,382,546
Administration	835,185	761,768
Employee benefits	749,540	692,239
College Planning Center expenses	780,693	844,173
Legal and accounting	202,100	217,849
Miscellaneous bond expenses	188,080	192,893
Bond issuance costs	1,130,462	813,978
Payroll taxes	197,904	175,231
Depreciation	98,020	109,253
Scholarships	48,000	50,000
<b>Total Operating Expenses</b>	<b>29,285,557</b>	<b>27,362,991</b>
<b>Changes in Net Position</b>	<b>7,381,378</b>	<b>6,739,515</b>
<b>Net Position - Beginning of the Year</b>	<b>178,003,573</b>	<b>171,264,058</b>
<b>Net Position - End of the Year</b>	<b>\$ 185,384,951</b>	<b>\$ 178,003,573</b>

*The accompanying notes are an integral part of these financial statements.*

# RHODE ISLAND STUDENT LOAN AUTHORITY

## STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Cash received for:		
Student loan interest	\$ 29,660,260	\$ 26,802,826
Student loan principal	112,354,358	108,237,195
Fee income	1,566,433	1,840,173
Interest on investments	1,761,578	970,441
Cash paid for:		
Grants	(74,876)	(65,978)
Origination and purchase of student loans	(115,492,451)	(85,456,443)
Interest paid on bonds	(18,177,030)	(16,485,249)
Contractual services	(511,577)	(635,697)
Goods and services	(10,803,804)	(7,524,182)
Employee salaries	(2,779,886)	(2,558,491)
Employee benefits	(749,540)	(692,239)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(3,246,535)</b>	<b>24,432,356</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds from note payable	2,500,000	14,000,000
Payment of note payable	(12,152,801)	(5,758,632)
Payment of bond maturities	(75,124,000)	(100,462,000)
Proceeds from sale of revenue bonds	103,589,017	74,879,267
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>18,812,216</b>	<b>(17,341,365)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(31,476)	(47,397)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(31,476)</b>	<b>(47,397)</b>
<b>Cash Flows from Investing Activities</b>		
Sales of investment securities	3,276,000	3,374,843
<b>Net Cash Provided By Investing Activities</b>	<b>3,276,000</b>	<b>3,374,843</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>18,810,205</b>	<b>10,418,437</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>114,367,400</b>	<b>103,948,963</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 133,177,605</b>	<b>\$ 114,367,400</b>

*The accompanying notes are an integral part of these financial statements.*

# RHODE ISLAND STUDENT LOAN AUTHORITY

## STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 7,381,378	\$ 6,739,515
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation of capital assets	98,020	109,253
Amortization - bond premiums and discounts	(1,482,580)	(1,096,628)
Increase in allowance for loan losses	2,230,079	531,462
Unrealized (gain) losses on investments	(106,709)	158,373
Realized (gain) losses on investments	(12,582)	3,642
Changes in assets and liabilities:		
(Increase) decrease in loans receivable	(5,368,172)	22,249,290
(Increase) decrease in other receivables	(27,166)	46,270
(Increase) in accrued interest receivable - loans	(2,327,162)	(3,316,450)
(Increase) in accrued interest receivable - investments	(106,858)	(11,283)
(Increase) decrease in prepaid expenses	(107,691)	3,511
Increase in bond accrued interest	333,625	127,070
(Decrease) in grants payable	(74,876)	(65,798)
(Decrease) in deferred inflows of resources	(1,099,593)	(1,314,681)
(Decrease) increase in accounts payable and accrued expenses	<u>(2,576,248)</u>	<u>268,990</u>
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b><u>\$ (3,246,535)</u></b>	<b><u>\$ 24,432,536</u></b>
<b>Cash and Cash Equivalents as reported in the financial statements consist of:</b>		
Unrestricted:		
Cash	\$ 69,471	\$ 1,076,102
Cash Equivalents	489,008	5,009,772
Restricted:		
Cash	1,911,676	1,841,534
Cash Equivalents	<u>130,707,450</u>	<u>106,439,992</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 133,177,605</u></b>	<b><u>\$ 114,367,400</u></b>

*The accompanying notes are an integral part of these financial statements.*

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *ORGANIZATION*

The Rhode Island Student Loan Authority (the Authority) is a public instrumentality established in May 1981 by an Act of the Rhode Island General Assembly and therefore the Authority is a related organization of the State of Rhode Island for financial reporting purposes. The Authority was created for the purpose of providing a system of financial assistance for qualified students to enable them to obtain a post-secondary education by attending public or private institutions. In achieving its objectives, the Authority acts as a lender and issues student loans to borrowers, which are funded by the issuance of tax-exempt bonds and other debt. It has the power to issue negotiable notes and bonds to achieve its corporate purpose. The bonds and other debt, which are issued under various resolutions, are special obligations of the Authority and are payable solely from the revenues and investments pledged under each resolution.

#### *BASIS OF ACCOUNTING*

The accounts of the Authority are maintained in accordance with the principles of proprietary fund accounting as set forth by the Governmental Accounting Standards Board (GASB) utilizing the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, regardless of when received in cash, and expenses are recognized when the related liability for goods and services is incurred, regardless of when payment is made.

#### *BASIS OF PRESENTATION*

In order to ensure observances of limitations and restrictions placed on the use of resources available to the Authority, the accounts of the Authority are maintained in accordance with the principles of Fund Accounting. This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund.

#### *INCOME TAXES*

The Authority is exempt from Federal and State income taxes.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *DEBT ISSUANCE COSTS*

Debt issuance costs incurred in connection with bonds payable are reported as an expense in the year incurred.

#### *OPERATING REVENUES AND EXPENSES*

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing student loan operations. The Authority's operating revenue is derived primarily from income on student loans consisting of loan interest, and earnings (losses) on investing activities and fee income. The Authority's operating expenses are related to student loan origination and servicing activities and general administration. All items of revenue and expense are reported as operating revenues and expenses in the statement of revenues, expenses and changes in net position.

#### *RESTRICTED VERSUS UNRESTRICTED RESOURCES*

When both restricted and unrestricted amounts are available for use, it is the Authority's practice to use restricted resources first.

#### *PROPERTY AND EQUIPMENT*

Property and equipment is stated at cost. The Authority provides for depreciation using the straight-line method over the estimated useful life of the asset. The Authority estimates the useful life for leasehold improvements to be the same as the term of the lease, three years for computer equipment and five years for furniture and fixtures. Depreciation expense for fiscal years 2019 and 2018 totaled \$98,020 and \$109,253, respectively. Capital assets are defined by the Authority, as assets with an individual cost of \$2,500 or more and an estimated useful life in excess of one year.

The Authority reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. At June 30, 2019, there were no impairment losses recognized for long-lived assets.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *STUDENT LOANS*

The Authority originates and holds non-federal education student loans that are not guaranteed under the Federal Higher Education Act. These loans are funded utilizing credit criteria reviewed by the rating agencies and primarily financed by bonds issued by the authority and authorized under a resolution approved by the Board. The Authority has an additional loan program for current student loan borrowers to refinance their student loan into a new debt instrument. The Authority is also a holder of federally guaranteed student loans under the Federal Family Education Loan Program (FFELP).

Student loans are carried at their uncollected principal balances and are reduced by an allowance for loan losses of \$54,180,579 and \$51,950,500 at June 30, 2019 and 2018, respectively. The allowance for loan losses is determined by management's evaluation of the student loan portfolios. This evaluation considers such factors as historical loss experience, quality of student loan servicing and collection, and economic conditions. When this evaluation determines that an exposure to loss is probable and reasonably estimated, a provision against current operations net of student loan recoveries is recorded. Actual losses are charged against the allowance for loan losses as they occur.

FFELP student loans and the accrued interest thereon purchased or originated by the Authority are fully guaranteed for loans disbursed prior to September 30, 1993 and are guaranteed at 98% for loans disbursed between October 1, 1993 and June 30, 2006, and are guaranteed at 97% for loans disbursed between July 1, 2006 and June 30, 2010. The Authority's FFELP loans are substantially insured by the United States Department of Education.

#### *INTEREST ON LOANS RECEIVABLE*

Interest on loans receivable is calculated using the simple interest method. Interest is accrued on loans receivable from the date of the last repayment installment to the date of the financial statements. While the Authority continues to accrue interest due on all loans, the provision for loan losses factors in the potential uncollectability of both loan principal and accrued interest.

#### *BOND PREMIUM AND DISCOUNT*

The bond premium and discount are amortized (straight-line method) over the term of the bonds series to which it relates.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *CASH AND CASH EQUIVALENTS*

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Under the Rhode Island General Law section 35-10.1, Rhode Island Collateralization of Public Deposits Act, the Authority must have their funds collateralized 100% for all time deposits with maturities over 60 days and for all deposits if the depository institution does not meet its minimum capital standards as required by its federal regulators.

#### *INVESTMENTS*

Investments are carried at fair value in accordance with GASB Statement 72, *Fair Value Measurement and Application*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All of the bond series trust and indenture agreements require that cash and investments be held by the trustee for the benefit of the bondholders and their maturity is to coincide as nearly as practicable with payments due on bonds. Otherwise, uninvested monies are to be invested in available overnight investments. According to the indenture agreements, investments to be held by the trustee are limited to the following:

- \* United States Treasury Securities
- \* Demand deposits with banks which are members of the Federal Deposit Insurance Corporation
- \* Federal Agency or Instrumentality bonds
- \* Certain repurchase agreements
- \* Certain bankers acceptances
- \* Shares in certain Investment Companies
- \* Certain obligations of any state, or political subdivision, or municipal corporation
- \* Investment Agreements approved by the rating agencies
- \* Commercial paper

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *VACATION AND SICK LEAVE*

The Authority provides all full-time employees with at least two weeks of vacation time per year. Employees can carry over up to a maximum of two times their annual accrual. At time of termination, the employee is entitled to all accrued vacation time. The June 30th accrual is calculated at the current pay scale.

The Authority provides employees with three weeks of sick time per year which can be accrued up to a maximum of six months. Sick time is not payable to the employee upon termination.

#### *GRANTS PAYABLE*

Grants payable represents funds held by RISLA to administer a student loan forgiveness program that is funded by the Rhode Island Foundation (the “Foundation”). RISLA manages all aspects of the program, including the disbursement of funds, according to policy guidelines established by the Foundation.

#### *ACCRUED ARBITRAGE REBATE LIABILITY*

Interest income to the Authority from investments and student loans is limited by U.S. Treasury regulations. Interest income earned in excess of the allowable amounts will be remitted to the Federal Government as required by the applicable laws and regulations.

Investment interest income from student loans is limited to 2% over bond yield of the related tax-exempt bond issue. Student loans, including principal and accrued interest, and cash have been reserved for rebate in the amount of the interest income which exceeded the limit. In FY2019, the Authority reduced the rebate liability through interest rate reduction and loan forgiveness programs, and could potentially exercise this option in the future.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *DEFERRED OUTFLOWS/INFLOWS OF RESOURCES*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that later date. At June 30, 2019, there were no deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2019 and 2018, unavailable loan origination fees represent a 4% loan origination fee which was assessed on certain loans at the time the loan enters a repayment status and is collected over the term of the loan. The unavailable loan origination fees included in the statement of net position were \$1,775,466 at June 30, 2019 and \$2,875,059 at June 30, 2018.

##### *NET POSITION*

Net position is classified in the following three components: investment in capital assets; restricted; and unrestricted net position. Investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Any debt related to unspent bond proceeds or other cash and investments is excluded from the determination. At June 30, 2019 and 2018, the Authority had no debt related to its capital assets. Restricted for debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net position not included in the above categories.

##### *BOND TRUSTS*

The financial activity associated with each of the Authority's Student Loan Program Revenue Bonds is recorded in the trust established for each such bond issue. In accordance with the Trust Indenture, the accounts held by the trustee are restricted for the "equal and ratable benefit and security of the bondholders." All revenues derived from program activities are deposited in the revenue account applicable to each individual bond series as specified in the Trust Indenture. The trustee is then directed to pay items from the revenue account in specific priority order, including periodic transfers to the Authority's operating account in an

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amount sufficient to pay for its program expenses including: salaries, utilities, office rent, legal, accounting, and other related expenses. Such transfers to the Authority's operating account are limited in amount pursuant to the respective Bond issue trust indenture.

#### *USE OF ESTIMATES*

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. The process used by management in formulating the accounting estimates is based upon information available to them and their projection of future events and transactions affecting the Authority. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Accordingly, actual results could differ from those estimates.

### NOTE 2 – CASH, CASH EQUIVALENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table compares the Authority's carrying cash balances to the bank balances. In addition, it discloses the total amount of funds which are insured by the Federal Deposit Insurance Corporation (FDIC).

	June 30,	
	2019	2018
Cash Deposits		
Carrying amount of cash deposits:		
Unrestricted	\$ 69,471	\$ 1,076,102
Restricted	<u>1,911,676</u>	<u>1,841,534</u>
Total	<u>\$ 1,981,147</u>	<u>\$ 2,917,636</u>
Bank Balances		
Covered by Federal depository insurance	\$ 500,000	\$ 500,000
Collateralized by financial institution	<u>2,661,553</u>	<u>3,349,782</u>
Total	<u>\$ 3,161,553</u>	<u>\$ 3,849,782</u>

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**NOTE 2 – CASH, CASH EQUIVALENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS  
(CONTINUED)**

***CUSTODIAL CREDIT RISK - DEPOSITS***

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority has adopted a deposit policy relating to a custodial credit risk. According to the policy, the deposit accounts will be with commercial banks that have acceptable collateral to cover any deposit in excess of the FDIC insurance coverage.

	June 30,	
	2019	2018
	Fair Value	Fair Value
Cash equivalents and investments unrestricted:		
Money Market Funds and Commercial Paper	\$ 489,008	\$ 5,009,772
Total Cash Equivalents	489,008	5,009,772
Total Unrestricted	489,008	5,009,772
Cash Equivalents and Investments (Restricted):		
Cash Equivalents:		
Money Market Funds and Commercial Paper	130,707,450	106,439,992
Investments:		
U.S. Treasury Notes	6,421,491	9,578,198
Total Investments	6,421,491	9,578,198
Total Restricted	137,128,941	116,018,190
Total Cash Equivalents and Investments	\$137,617,949	\$121,027,962

The restriction of cash, cash equivalents, and investments is for the payment of bonded debt and the issuance of student loans and related expenses. The restricted cash, cash equivalents, and investments are held by the trustee, U.S. Bank, as collateral for the Bonds (see Note 6).

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 2 – CASH, CASH EQUIVALENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

##### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

In determining fair value, the Authority uses various valuation approaches, as appropriate in the circumstances. GASB 72 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available (Level 1), of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

There has been no change in the valuation methodology used in 2019.

There were no transfers between any levels during the year ended June 30, 2019.

*U.S. Government Securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

#### NOTE 2 – CASH, CASH EQUIVALENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

##### *FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)*

Financial assets and liabilities carried at fair value as of June 30, 2019 are classified in the following tables in one of the three categories described above:

Description	Maturity	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Note	February 28, 2021	\$ 1,473,178	\$ 1,473,178	\$ --	\$ --
U.S. Treasury Note	November 15, 2019	436,936	436,936	--	--
U.S. Treasury Note	February 15, 2021	293,193	293,193	--	--
U.S. Treasury Note	September 30, 2020	308,013	308,013	--	--
U.S. Treasury Note	April 30, 2020	243,203	243,203	--	--
U.S. Treasury Note	April 30, 2020	382,174	382,174	--	--
U.S. Treasury Note	April 30, 2020	39,706	39,706	--	--
U.S. Treasury Note	July 15, 2019	2,498,575	2,498,575	--	--
U.S. Treasury Note	November 30, 2019	746,513	746,513	--	--
Total		<u>\$ 6,421,491</u>	<u>\$ 6,421,491</u>	<u>\$ --</u>	<u>\$ --</u>

Financial assets and liabilities carried at fair value as of June 30, 2018 are classified in the following tables in one of the three categories described above:

Description	Maturity	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Note	February 28, 2021	\$ 1,433,604	\$ 1,433,604	\$ --	\$ --
U.S. Treasury Note	November 15, 2019	440,233	440,233	--	--
U.S. Treasury Note	May 15, 2019	276,848	276,848	--	--
U.S. Treasury Note	February 15, 2021	292,270	292,270	--	--
U.S. Treasury Note	September 30, 2020	301,946	301,946	--	--
U.S. Treasury Note	April 30, 2020	238,904	238,904	--	--
U.S. Treasury Note	April 30, 2020	375,421	375,421	--	--
U.S. Treasury Note	July 31, 2018	975,649	975,649	--	--
U.S. Treasury Note	April 30, 2020	39,005	39,005	--	--
U.S. Treasury Note	September 30, 2018	865,682	865,682	--	--
U.S. Treasury Note	May 31, 2019	1,145,239	1,145,239	--	--
U.S. Treasury Note	July 15, 2019	2,458,600	2,458,600	--	--
U.S. Treasury Note	November 30, 2019	734,797	734,797	--	--
Total		<u>\$ 9,578,198</u>	<u>\$ 9,578,198</u>	<u>\$ --</u>	<u>\$ --</u>

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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### NOTE 2 – CASH, CASH EQUIVALENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### *CUSTODIAL CREDIT RISK - INVESTMENTS*

Custodial Credit Risk for investment securities is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of their investments or collateral securities that are in possession of an outside party. According to the Authority's investment policy, funds held under a bond indenture or other security agreement will be invested following the current rating agency guidelines and with companies which comply with the ratings noted under Credit Risk.

#### *INTEREST RATE RISK*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. According to the Authority's investment policy, the investment portfolio is structured so that the securities mature to meet cash requirements for ongoing operations and investment are primarily in money market funds backed with U.S. Treasury obligations.

#### *CREDIT RISK*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to the Authority's investment policy, funds will be invested in Investment Agreements permitted by the Authority's bond indentures.

### NOTE 3 – LOANS RECEIVABLE

Loans receivable represent the unpaid portion of Federal Family Education Loans Program (FFELP) originated or purchased by the Authority. These loans are guaranteed by the United States Department of Education under a guarantee agreement (Note 11), and other guarantors which have guarantee agreements covering all or a substantial portion of each loan with the U.S. Department of Education (DOE). The Authority also originates and holds non-federal education loans and refinanced student loans for qualified students and their families.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

#### NOTE 3 – LOANS RECEIVABLE (CONTINUED)

The FFELP loans have both fixed and variable interest rates which are established by the DOE, and repayment terms which are dependent on the loan type. The return on FFELP loans that lenders actually realize is based on formulas administered by the DOE and is dependent on loan type and date of origination. Any payment by borrowers in excess of the formulas must be returned to the DOE for loans originated after April 1, 2006. The DOE subsidizes the interest for certain FFELP loans during the borrowers' in-school, in-grace, and authorized deferment periods. The subsidized interest rate is determined by a formula and based on indexes published by the U.S. Department of Education. The interest subsidy is included with interest income on loans receivable in the accompanying Statements of Revenues, Expenses and Changes in Net Position. The non-federal education loans and refinanced loans have fixed and variable interest rates with repayment terms between 5 years from the date of disbursement to 15 years from the date the student is no longer enrolled in an eligible institution.

Net loans receivable at June 30, 2019 and 2018 are as follows:

	2019	2018
FFELP loans receivable	\$ 157,167,726	\$ 188,137,361
Non-federal education loans receivable	447,242,832	410,905,025
Allowance for loan losses	(54,180,579)	(51,950,500)
Net loans receivable	\$ 550,229,979	\$ 547,091,886

Student loans receivable are presented as assets on the statement of net position as follows at June 30, 2019 and 2018:

	2019	2018
Current	\$ 55,144,274	\$ 52,552,116
Noncurrent	495,085,705	494,539,770
Total	\$ 550,229,979	\$ 547,091,886

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

#### NOTE 4 – CAPITAL ASSETS

Capital assets activity during the years ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Disposals	Balance at June 30, 2019
Capital assets, being depreciated:				
Furniture and fixtures	\$ 112,451	\$ --	\$ --	\$ 112,451
Equipment	877,919	31,476	--	909,395
Leasehold improvements	<u>59,894</u>	<u>--</u>	<u>--</u>	<u>59,894</u>
	<u>1,050,264</u>	<u>31,476</u>	<u>--</u>	<u>1,081,740</u>
Accumulated Depreciation:				
Furniture and fixtures	90,574	8,454	--	99,028
Equipment	679,805	83,171	--	762,976
Leasehold improvements	<u>52,499</u>	<u>6,395</u>	<u>--</u>	<u>58,894</u>
Total Accumulated Depreciation	<u>822,878</u>	<u>98,020</u>	<u>--</u>	<u>920,898</u>
Net Capital Assets	<u>\$ 227,386</u>	<u>\$ (66,544)</u>	<u>\$ --</u>	<u>\$ 160,842</u>

Capital assets activity during the years ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Capital assets, being depreciated:				
Furniture and fixtures	\$ 112,451	\$ --	\$ --	\$ 112,451
Equipment	830,522	47,397	--	877,919
Leasehold improvements	<u>59,894</u>	<u>--</u>	<u>--</u>	<u>59,894</u>
	<u>1,002,867</u>	<u>47,397</u>	<u>--</u>	<u>1,050,264</u>
Accumulated Depreciation:				
Furniture and fixtures	80,341	10,233	--	90,574
Equipment	587,765	92,040	--	679,805
Leasehold improvements	<u>45,519</u>	<u>6,980</u>	<u>--</u>	<u>52,499</u>
Total Accumulated Depreciation	<u>713,625</u>	<u>109,253</u>	<u>--</u>	<u>822,878</u>
Net Capital Assets	<u>\$ 289,242</u>	<u>\$ (61,856)</u>	<u>\$ --</u>	<u>\$ 227,386</u>

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 5 – OPERATING LEASES

The Authority has a lease with 935 Jefferson, LLC (an unrelated third party), that commenced in June 2016. The monthly payments for the first twelve months are \$17,967; \$18,375 per month for year 2; \$18,783 per month for year 3; \$19,192 per month for year 4 and \$19,600 per month for year 5. Lease expense for the year ended June 30, 2019 and 2018 was \$228,843 and \$220,908, respectively.

Lease payments for the following years are:

Year Ending June 30,	Amount
2020	\$ 230,708
2021	215,600
Total	<u>\$ 446,308</u>

#### NOTE 6 – BONDS PAYABLE

On July 27, 2006, the Authority issued Tax Exempt Auction Rate Student Loan Program Revenue Bonds with nominal values of \$30,000,000 (Series 1) and \$30,000,000 (Series 2). The Authority also issued Fixed Rate Student Loan Program Revenue Bonds with a nominal value of \$40,000,000 (Series 3). The Series 1 and Series 2 Bonds are auction rate securities bearing interest at a rate reset every thirty five days. The existing auction rate at June 30, 2017 was 1.080%, respectively, for Series 1 and for Series 2. The Series 3 bond paid interest ranging from 4.6% to 4.9% and originally matured between 2007 and 2026. Proceeds of these issuances were used to originate and purchase eligible student loans. The 2006 Series 3 bonds were redeemed in FY 2013. The 2006 Series 1 and Series 2 bonds were redeemed in FY 2018.

On May 1, 2008, the Authority issued Tax Exempt Fixed Rate Student Loan Program Revenue Bonds with nominal values of \$60,000,000 (Senior Series A) and \$4,000,000 (Subordinated Series I). The Senior Series A bonds pays interest ranging from 4.75% to 6.00% and mature between 2013 and 2028. The Subordinated Series I bonds pays interest at 6.75% and mature in 2028. Proceeds of these issuances were used to originate and purchase eligible student loans. The 2008 Series A and Series I bonds were redeemed in FY 2018.

On July 9, 2009, the Authority issued Tax Exempt Fixed Rate Student Loan Program Revenue Bonds with a nominal value of \$25,570,000 (Senior Series A). The Senior Series A bonds pays interest ranging from 4.20% to 6.35% and mature between 2013 and 2030. Proceeds of this issuance were used to originate and purchase eligible student loans.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 6 – BONDS PAYABLE (CONTINUED)

On March 31, 2010, the Authority issued Tax Exempt Fixed Rate Student Loan Program Revenue Bonds with a nominal value of \$16,970,000 (Senior Series A). The Senior Series A bonds pays interest ranging from 2.25% to 5.25% and mature between 2013 and 2027. Proceeds of this issuance were used to originate and purchase eligible student loans.

On December 16, 2010, the Authority issued Tax Exempt Fixed Rate Student Loan Program Revenue Bonds with a nominal value of \$25,570,000 (Senior Series B). The Senior Series B bonds pays interest ranging from 2.00% to 5.00% and mature between 2012 and 2025. Proceeds of this issuance were used to originate and purchase eligible student loans.

On March 21, 2012, the Authority issued Tax Exempt Fixed Rate Student Loan Program Revenue Bonds with a nominal value of \$17,940,000 (Senior Series A). The Senior Series A bonds pays interest ranging from 2.00% to 4.00% and mature between 2013 and 2026. Proceeds of this issuance were used to originate and purchase eligible student loans.

On August 30, 2012, the Authority issued \$111,000,000 in 2012 Series-1 Taxable LIBOR Floating Rate Notes. The 2012 Series-1 Notes bear interest at a rate of one month LIBOR plus .90%. The interest rate resets on the second business day of each month. The notes have a final maturity date on July 1, 2031. On June 30, 2019 and 2018, interest on the 2012 Series-1 Notes was 3.34% and 2.88%, respectively. Proceeds of the notes were used to finance eligible student loans and refund certain obligations of the Authority.

On November 19, 2012, the Authority issued \$260,000,000 in 2012-2 Taxable LIBOR Floating Rate Notes. The 2012-2 Notes bear interest at a rate of one month LIBOR plus .65%. The interest rate resets on the second business day of each month. The notes have a final maturity date of September 1, 2036. On June 30, 2019 and 2018, interest on the 2012-2 Notes was 3.09% and 2.63%, respectively. Proceeds of the notes were used to finance eligible student loans and refund certain obligations of the Authority.

On March 8, 2013, the Authority issued \$67,525,000 in 2013 Tax Exempt Senior Series A Student Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 2.00% and 5.00% and maturities ranging from December 1, 2013 through December 1, 2027. Proceeds of the bonds were used to originate and purchase eligible student loans. Proceeds were also utilized to retire certain obligations of the Authority.

On April 9, 2014, the Authority issued \$34,750,000 in 2014 Tax Exempt Senior Series A Student Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 4.00% and 5.00% and maturities ranging from December 1, 2015 through December 1, 2029. Proceeds of the bonds were used to originate and purchase eligible student loans and to fund the Debt Service Reserve Fund.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 6 – BONDS PAYABLE (CONTINUED)

On June 24, 2014, the Authority issued \$93,100,000 in 2014-1 Taxable LIBOR Floating Rate Notes. The 2014-1 Notes bear interest at a rate of one month LIBOR plus .70%. The interest rate resets on the second business day of each month. The notes have a final maturity date of October 2, 2028. On June 30, 2019 and 2018, interest on the 2014-1 Notes were 3.14% and 2.68%, respectively. Proceeds of the notes were used to refund certain obligations of the Authority.

On April 21, 2015, the Authority issued \$41,365,000 in 2015 Tax Exempt Senior Series A Student Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 3.50% and 5.00% and maturities ranging from December 1, 2016 through December 1, 2031. Proceeds of the bonds were used to finance the origination of new non-federal loans or to refinance existing loans.

On May 18, 2016, the Authority issued \$55,000,000 in 2016 Tax Exempt Senior Series A Student Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 3.00% and 5.00% and maturities ranging from December 1, 2017 through December 1, 2034. Proceeds of the bonds were used to finance the origination of new non-federal loans or to refinance existing loans.

On April 6, 2017, the Authority issued \$50,255,000 in 2017 Tax Exempt Senior Series A Student Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 3.00% and 5.00% and maturities ranging from December 1, 2019 through December 1, 2035. Proceeds of the bonds were used to finance the origination of new non-federal loans or to refinance existing loans.

On May 15, 2018, the Authority issued \$72,325,000 in 2018 Tax Exempt Senior Series A Student Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 3.50% and 5.00% and maturities ranging from December 1, 2020 through December 1, 2034. Proceeds of the bonds were used to redeem \$17,595,000 of the 2008 Senior Series A and 2008 subordinate Series 1 and to finance the origination of new non-federal loans or to refinance existing loans.

On July 17, 2018, the Authority issued \$35,000,000 in 2018 Federally Taxable Senior Series 1 Student Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 3.16% and 4.28% and maturities ranging from December 1, 2019 through December 1, 2034. The proceeds were used to refinance existing loans.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 6 – BONDS PAYABLE (CONTINUED)

On April 30, 2019, the Authority issued \$63,215,000 in 2019 Tax Exempt Senior Series A Student Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 2.88% and 5.00% and maturities ranging from December 1, 2023 through December 1, 2035. Proceeds of the bonds were used to finance the origination of new non-federal loans or to refinance existing loans.

In 2019 and 2018, prior to the stated maturity date, the Authority redeemed bonds from various Student Loan Program Revenue Bonds. The Bonds were retired at par of the Bond's stated par value of 100% in 2019 and 2018, respectively. Outstanding bonds payable of \$25,990,000 and \$27,360,000 were redeemed which resulted in no gain in 2019 and 2018, respectively.

Interest on all tax-exempt and taxable fixed rate bonds issued by the Authority is payable semi-annually. Interest on taxable variable rate demand obligation bonds is paid on the first business day of every month. The bonds are secured by eligible student loans, monies in restricted funds established by the trust indenture including investment earnings, payment of principal and interest, federal interest subsidy payments, special allowance payments, claim payments by United States Department of Education, and proceeds of any sale or assignment by the Authority of any loans.

On July 27, 2017, Chief Executive Officer of the United Kingdom's Financial Conduct Authority announced that it would phase out by the end of 2021 the London Interbank Offered Rate (LIBOR). LIBOR is a set of benchmark or reference rates for unsecured money-center bank borrowings in the London inter-bank market. Rates for all terms and currencies are published daily and are broadly used as an index for financial transactions across the world. RISLA has issued bonds that are indexed off the LIBOR including RISLA's 2012-1, RISLA's 2012-2 and RISLA's 2014-1 bond issues. In addition, RISLA's FFELP loan special allowance payments (SAP) to the US Department of Education are indexed against LIBOR. Government regulators and market participants are evaluating the potential impact of the elimination of LIBOR and discussing potential replacements for LIBOR. RISLA management will continue to monitor developments with LIBOR and believes that the phase-out will have no impact on RISLA's financial statements.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 6 – BONDS PAYABLE (CONTINUED)

Pursuant to the terms of the various Trust Indentures, the Authority placed the proceeds of the bonds into various restricted funds. The loan fund was established to account for all recoveries of principal and any amounts which are required to be deposited therein pursuant to the Trust Indentures and to fund the origination and purchase of eligible student loans as described in the Trust Indenture. The revenue fund was established for the recoveries of interest investment earnings from all accounts and for interest payments. The reserve fund was established for the payment of interest in the event that the Authority does not have sufficient funds from other sources.

The required reserve for the July 2009, March 2010, December 2010, March 2012, March 2013, April 2014, April 2015, May 2016, April 2017, May 2018, and April 2019 bond issues is 3% of bond principal outstanding with a minimum requirement of \$3,301,250 for all outstanding senior obligations outstanding. The required reserve for the August 2012 bond issue is the greater of .25% of the principal bonds outstanding or \$250,000. The required reserve for the November 2012 bond issue is the greater of .25% of principal bonds outstanding or \$390,000. The required reserve for the June 2014 bond issue is \$250,000.

The required reserve for the July 2018 bond issue is the greater of \$300,000 or 2% of the principal bonds outstanding.

The Trust Indentures also require the establishment of other restricted funds (administrative and rebate funds). The Authority also established the restricted clearing account to account for transfers between restricted funds.

The Authority has been in compliance with the respective debt covenants as outlined in the Trust Indentures for fiscal years 2019 and 2018.

The following schedule summarizes the Authority's outstanding bonds payable as of June 30:

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

#### NOTE 6 – BONDS PAYABLE (CONTINUED)

Bond Issue	2019	2018
July 2009 Senior Series A	\$ 9,220,000	\$ 11,160,000
March 2010 Senior Series A	5,770,000	7,745,000
December 2010 Senior Series B	5,025,000	9,125,000
March 2012 Senior Series A	6,000,000	8,250,000
August 2012 Series 2012-1	30,710,000	38,159,000
November 2012 Series 2012-2	76,119,000	93,215,000
March 2013 Senior Series A	23,475,000	31,275,000
April 2014 Senior Series A	22,985,000	27,985,000
June 2014 Series 2014-1	36,884,000	45,573,000
April 2015 Series 2015-A	31,715,000	36,715,000
June 2016 Series 2016-A	38,175,000	46,650,000

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**NOTE 6 – BONDS PAYABLE (CONTINUED)**

Bond Issue	2019	2018
June 2017		
Series 2017-A	49,255,000	50,255,000
May 2018		
Series 2018 -A	70,125,000	72,325,000
July 2018		
Series 2018-1	32,850,000	--
April 2019		
Series 2019 -A	<u>63,215,000</u>	<u>--</u>
Subtotal	501,523,000	478,432,000
Add: Premium	10,983,906	7,179,682
Less: Discount	958,978	1,046,195
Less: Current portion	<u>25,125,000</u>	<u>15,900,000</u>
Total	<u>\$ 486,422,928</u>	<u>\$ 468,665,487</u>

The following schedule reflects the changes in bonds payable:

Balance at June 30, 2017	\$ 506,569,000
Additions	72,325,000
Redemptions	<u>(100,462,000)</u>
Balance at June 30, 2018	478,432,000
Additions	98,215,000
Redemptions	<u>(75,124,000)</u>
Balance at June 30, 2019	<u>\$ 501,523,000</u>

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

#### NOTE 6 – BONDS PAYABLE (CONTINUED)

Presented below is a summary of debt service requirements to maturity for fiscal years ending June 30:

Year	Principal	Interest	Total
2020	\$ 25,125,000	\$ 18,551,705	\$ 43,676,705
2021	28,065,000	17,379,850	45,444,850
2022	27,350,000	16,168,132	43,518,132
2023	27,405,000	14,991,265	42,396,265
2024	27,000,000	13,748,200	40,748,200
2025	29,625,000	12,471,567	42,096,567
2026	31,540,000	11,167,116	42,707,116
2027	23,675,000	10,058,941	33,733,941
2028	20,625,000	9,163,623	29,788,623
2029	50,409,000	8,476,041	58,885,041
2030	2,000,000	7,034,244	9,034,244
2031	3,045,000	6,888,118	9,933,118
2032	44,585,000	5,559,753	50,144,753
2033	--	5,254,589	5,254,589
2034	3,650,000	5,164,099	8,814,099
2035	52,090,000	3,986,781	56,076,781
2036	29,215,000	2,702,048	31,917,048
2037	<u>76,119,000</u>	<u>405,975</u>	<u>76,524,975</u>
<b>Total</b>	<b><u>\$ 501,523,000</u></b>	<b><u>\$ 169,172,047</u></b>	<b><u>\$ 670,695,047</u></b>

#### NOTE 7 – NOTES PAYABLE AND LINE OF CREDIT

On December 30, 2014, the Authority entered into a line of credit agreement with a bank to borrow up to \$10,000,000. The Line expired on June 30, 2016, and bore interest at a rate of one month LIBOR plus 1.25%. Per the terms of the Line Agreement, the Authority has the option to convert the Line into a term note, which occurred beginning on February 13, 2015, as noted below. The Line was collateralized by certain loans including all of those originated by the Authority from advances under the Line as well as certain additional pledged assets.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 7 – NOTES PAYABLE AND LINE OF CREDIT (CONTINUED)

On December 29, 2015, the Authority entered into a line of credit agreement with a bank to borrow up to \$10,000,000. The Line expired on December 29, 2016, and bore interest at a rate of one month LIBOR plus 1.25%. Per the terms of the Line Agreement, the Authority has the option to convert the Line into a term note, which occurred beginning on July 25, 2016, as noted below. The Line was collateralized by certain loans including all of those originated by the Authority from advances under the Line as well as certain additional pledged assets.

On June 2, 2017, the Authority entered into a line of credit agreement with a bank to borrow up to \$20,000,000. The Line originally expired on June 2, 2018 and was extended to June 2, 2019, the interest rate is Federal Home Loan Bank Classic Advance Rate for the term of the financing plus 1.25%. Per the terms of the Line Agreement, the Authority has the option to convert the Line into three separate term note classes. The Line was collateralized by certain loans including all of those originated by the Authority from advances under the Line as well as certain additional pledged assets.

On June 19, 2019, the Authority entered into a line of credit agreement with a bank to borrow up to \$20,000,000. The Line expires on June 19, 2020, the interest rate is Federal Home Loan Bank Classic Advance Rate for the term of the financing plus 1.00%. Per the terms of the Line Agreement, the Authority has the option to convert the Line into three separate term note classes. The Line was collateralized by certain loans including all of those originated by the Authority from advances under the Line as well as certain additional pledged assets.

#### **Summary of Draws and Term Notes**

On February 13, 2015, the Authority converted the amount outstanding under The Line of \$3,739,244 into a term note (the February 2015 Note). The February 2015 Note matures on February 12, 2022 and has an interest rate of 3.14%. Principal payments of \$44,515 plus interest are due on the 13th of every month, beginning on March 13, 2015. This note was paid off during fiscal year 2019.

During FY 2016, the Company drew an additional \$5,000,000 on the Line, which was subsequently converted to two separate term notes, as described below.

On September 23, 2015, \$3,000,000 was converted into a term note (the September 2015 Note). The September 2015 Note matures on August 23, 2019 and has an interest rate of 2.51%. Principal payments of \$63,830 plus interest are due on the 23rd of every month, beginning on October 23, 2015. This note was paid off during fiscal year 2019.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 7 – NOTES PAYABLE AND LINE OF CREDIT (CONTINUED)

On December 22, 2015, \$2,000,000 was converted into a term note (the December 2015 Note). The December Note matures on January 22, 2023 and has an interest rate of 3.29%. Principal payments of \$23,529 plus interest are due on the 22nd of every month, beginning on January 22, 2016. This note was paid off during fiscal year 2019.

During fiscal year 2017, the Authority drew an additional \$8,200,000 on the line which was converted to three separate term notes, as described below.

On July 26, 2016, the Authority converted the amount outstanding under The Line of \$3,450,000 into a term note (the July 2016 Note). The July 2016 Note matures on August 25, 2023 and has an interest rate of 2.65%. Principal payments of \$40,588 plus interest are due on the 25th of every month, beginning on August 25, 2016. This note was paid off during fiscal year 2019.

On December 21, 2016, the Authority converted the amount outstanding under The Line of \$2,450,000 into a term note (the December 2016 Note). The December 2016 Note matures on January 21, 2024 and has an interest rate of 3.83%. Principal payments of \$28,824 plus interest are due on the 21st of every month, beginning on January 21, 2017. This note was paid off during fiscal year 2019.

On December 21, 2016, the Authority converted the amount outstanding under The Line of \$2,300,000 into a term note (the December 2016 Note). The December 2016 Note matures on November 21, 2020 and has an interest rate of 3.30%. Principal payments of \$48,936 plus interest are due on the 21st of every month, beginning on January 21, 2017. This note was paid off during fiscal year 2019.

During fiscal year 2018, the Authority drew an additional \$14,000,000 on the line which was converted to three separate term notes, as described below.

On July 19, 2017, the Authority converted the amount outstanding under The Line of \$5,000,000 into a term note (the July 2017 Note). The July 2017 Note matures on July 19, 2027 and has an interest rate of 4.14%. Principal payments of \$41,667 plus interest are due on the 2nd of every month, beginning on August 2, 2017.

On October 6, 2017, the Authority converted the amount outstanding under The Line of \$4,000,000 into a term note (the October 2017 Note). The October 2017 Note matures on April 6, 2024 and has an interest rate of 3.67%. Principal payments of \$51,282 plus interest are due on the 6th of every month, beginning on November 6, 2017.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 7 – NOTES PAYABLE AND LINE OF CREDIT (CONTINUED)

On February 21, 2018, the Authority converted the amount outstanding under The Line of \$5,000,000 into a term note (the February 2018 Note). The February 2018 Note matures on August 21, 2024 and has an interest rate of 4.39%. Principal payments of \$64,103 plus interest are due on the 21st of every month, beginning on March 21, 2018.

On June 21, 2019, the Authority converted the amount outstanding under The Line of \$2,500,000 into a term note (the June 2019 Note). The June 2019 Note matures on June 21, 2029 and has an interest rate of 3.67%. Principal payments of \$20,833 plus interest are due on the 21st of every month, beginning on July 21, 2019.

As of June 30, 2019, the total principal balance outstanding under the February 2015 Note, the September 2015 Note, the December 2015 Note, the July 2016 and the December 2016 Notes was \$0. As of June 30, 2019, the total principal balance outstanding under the July 2017 Note, the October 2017 Note, the February 2018 Note and the June 2019 Note was collectively \$11,604,412. In addition, the Authority can also borrow up to an additional \$17,500,000 against The Line as of June 30, 2019.

The following schedule reflects the changes in notes payable:

Balance at June 30, 2017	\$	13,015,845
Additions		14,000,000
Redemptions		<u>(5,758,632)</u>
Balance at June 30, 2018		21,257,213
Additions		2,500,000
Redemptions		<u>(12,152,801)</u>
Balance at June 30, 2019	\$	<u>11,604,412</u>

As part of the above financings, the Authority was required to meet certain financial covenants. As of June 30, 2019, the Authority was in compliance with these covenants.

Debt service requirements for bonds and notes payable at June 30, 2019 were as follows:

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

#### NOTE 8 – ACCRUED ARBITRAGE REBATE

Bonds				Term Note				Total Long Term Debt			
Year	Principal	Interest	Total	Year	Principal	Interest	Total	Year	Principal	Interest	Total
2020	\$ 25,125,000	\$ 18,551,705	\$ 43,676,705	2020	\$ 2,134,615	\$ 419,161	\$ 2,553,776	2020	\$ 27,259,615	\$ 18,970,866	\$ 46,230,481
2021	28,065,000	17,379,850	45,444,850	2021	2,134,615	332,907	2,467,522	2021	30,199,615	17,712,757	47,912,372
2022	27,350,000	16,168,132	43,518,132	2022	2,134,615	246,653	2,381,268	2022	29,484,615	16,414,785	45,899,400
2023-2027	139,245,000	62,437,089	201,682,089	2023-2027	4,700,567	358,331	5,058,898	2023-2027	143,945,567	62,795,420	206,740,987
2028-2032	120,664,000	37,121,778	157,785,778	2028-2032	500,000	17,634	517,634	2028-2032	121,164,000	37,139,412	158,303,412
2033-2037	161,074,000	17,513,493	178,587,493	2033-2037	--	--	--	2033-2037	161,074,000	17,513,493	178,587,493
	<u>\$ 501,523,000</u>	<u>\$169,172,047</u>	<u>\$670,695,047</u>		<u>\$ 11,604,412</u>	<u>\$1,374,686</u>	<u>\$12,979,098</u>		<u>\$ 513,127,412</u>	<u>\$ 170,546,733</u>	<u>\$683,674,145</u>

Accrued arbitrage rebate at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Noncurrent portion	\$ 479,026	\$ 2,977,950
Total Accrued Arbitrage Rebate	<u>\$ 479,026</u>	<u>\$ 2,977,950</u>

The following schedule reflects the changes in accrued arbitrage rebate:

Balance at June 30, 2017	\$ 2,528,549
Increase in earnings above permitted yield	449,401
Decrease in earnings below permitted yield	--
Balance at June 30, 2018	2,977,950
Increase in earnings above permitted yield	24,989
Decrease in earnings below permitted yield	(2,523,913)
Balance at June 30, 2019	<u>\$ 479,026</u>

Utilizing the yield restriction provisions within RISLA’s tax exempt bond indentures, RISLA forgave \$2,283,367 in student loan principal and interest for 2,811 borrowers in 2019. The United States Tax Code and the IRS limit the loan yield to 2% above the bond yield calculated over the life of the bond issue. Through prudent financial management and lower than expected loan defaults, RISLA was able to offer this benefit to student loan borrowers whose loans were funded by RISLA’s 2010 A, 2012 A and 2013 A bond issues.

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 9 – LOAN SERVICING AGREEMENTS

In April 2011, the Authority entered into a servicing agreement with Nelnet Servicing LLC (Nelnet), under which Nelnet collects and accounts for the principal and interest on FFELP loans originated and purchased by the Authority and placed with Nelnet for servicing for a monthly fee, which is based on the borrower status of the loans being serviced. Nelnet is also responsible for servicing the loans in a diligent manner according to regulations established by the DOE. This agreement is in effect until terminated or modified.

In June 2003, the Authority entered into a servicing agreement with Great Lakes Educational Loan Services, Inc. (Great Lakes) under which Great Lakes collects and accounts for principal and interest on FFELP loans originated and purchased by the Authority and placed with Great Lakes for servicing for a monthly fee, which is detailed in the agreement.

Great Lakes is also responsible for servicing loans in a diligent manner according to regulations established by DOE. This agreement is in effect until terminated or modified. During fiscal year 2018 Great Lakes was acquired by loan service provider Nelnet.

In July 1992, the Authority entered into a servicing agreement with Pennsylvania Higher Education Assistance Authority (PHEAA) under which PHEAA collects and accounts for the principal and interest on the Rhode Island Supplemental Education Loans placed with PHEAA for servicing for a monthly fee which is based on the number of loans in repayment status. PHEAA is also responsible for servicing the loans in a diligent manner according to the terms of the servicing contract. The agreement continues until all loans are paid in full or terminated by either party.

In July 2010, the Authority entered into a servicing agreement with University Accounting Services (UAS) under which UAS provides access to their servicing system software and the Authority collects and accounts for the principal and interest on the private loans that the Authority originated. UAS is responsible for maintaining the servicing system. The fees charged are based upon the volume and types of loans being serviced on a monthly basis.

The contract does call for certain payments to be processed by UAS and these transactions are charged on a per transaction basis. This agreement is in effect until terminated or modified.

In December 2012, the Authority entered into a servicing agreement with Aspire Resources Inc. to perform all servicing activities related to Federal Student Loans that were allocated to the Authority as an eligible Not for Profit Servicer under the Health Care and Education Reconciliation Act of 2010 (HCERA). The contract with the DOE allowed Aspire to add the Authority as a Key Subcontractor. Aspire was responsible for servicing

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 9 – LOAN SERVICING AGREEMENTS (CONTINUED)

all of the federal accounts according to the DOE Contract and paid the Authority a monthly fee based upon the borrower status of the loans being serviced.

The contract originally expired on March 31, 2017. However, in July 2015, the U.S. Department of Education approved the transfer of responsibilities for servicing federal student loans within the William D. Ford Federal Direct Loan Program that were serviced by Aspire to the Missouri Higher Education Loan Authority (MOHELA). The transfer of loans from Aspire to MOHELA was completed in September 2015. At that time the contract with Aspire terminated and a servicing agreement with MOHELA took effect.

The Authority received \$129,593 and \$212,316 in monthly revenue from MOHELA to service the Federal Student Loans for the years ended June 30, 2019 and 2018, respectively, and this revenue is recorded as “fee income” in the accompanying statements of revenues, expenses, and changes in net position.

#### NOTE 10 – DEFINED CONTRIBUTION RETIREMENT PLAN

In July 1989, the Authority established a defined single-employer contribution plan named Rhode Island Student Loan Authority pursuant to Section 403 (b) of the Internal Revenue Code, which provides pension benefits for all of its full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings and less expenses. The assets of the plan are held with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Employees are eligible to participate on the first of the month following employment. The Authority contributes 10% of the employee's salary each month and all contributions and investment earnings are fully vested immediately. Employer contributions for 2019 and 2018 amounted to \$285,041 and \$272,422, respectively. Employee contributions for 2019 and 2018 amounted to \$145,394 and \$134,499, respectively. All plan provisions and amendments require the approval of the Authority's Board of Directors. There are no post-retirement benefits for Authority employees.

#### NOTE 11 – RELATED PARTY TRANSACTIONS

The Governor of the State of Rhode Island proposed, under Article 7 of the State of Rhode Island FY 2016 budget, to create a Division of Higher Education Assistance (DHEA) in the Office of the Postsecondary Commissioner (OPC). The budget was passed by the General Assembly and went into effect on July 1, 2015. This action transferred all rights, assets, powers and obligations of the Rhode Island Higher Education Assistance Authority (RIHEAA), including their role as a guarantor participating in the Federal Family Education

# RHODE ISLAND STUDENT LOAN AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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#### NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Loan Program to the OPC and confirmed the Commissioner of Postsecondary Education as the new executive director of DHEA.

On December 6, 2017, the governing Board for the OPC, The Council on Post-Secondary Education voted to transfer their Federal Family Education Loan Portfolio to the United States Department of Education. The action by the council effectively terminated the role of the OPC as a guarantor under the FFELP program. On July 1, 2018, all FFLEP loans were transferred to Educational Credit Management Corporation (ECMC) as guarantor for the FFELP portfolio.

#### NOTE 12 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; errors and omissions; and workers' compensation claims for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded the Authority's coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage. Accordingly, management has estimated the reserve for such claims to be \$-0- at June 30, 2019 and 2018.

#### NOTE 13 – SUBSEQUENT EVENT

The Authority has evaluated subsequent events through September 30, 2019, the date these financial statements were authorized for issuance. Except as described below, there were no events identified which require recognition or disclosure in the financial statements.

On August 27, 2019, the Authority issued \$40,820,000 in 2019 Federally Taxable Senior Series 1 Education Loan Program Revenue Bonds. The bonds are fixed rate with interest rates between 2.271% and 3.136% and maturities ranging from December 1, 2020 through December 1, 2037. The proceeds will be used to fund in-school and refinance loans. The loan portfolio was presented as restricted net position as of June 30, 2019.

**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**

**INDEPENDENT AUDITORS' REPORT**

To the Board Members  
**Rhode Island Student Loan Authority**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Rhode Island Student Loan Authority (a related organization to the State of Rhode Island), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2019.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

*Marcum LLP*

Providence, RI  
September 30, 2019



# RISLA

**RHODE ISLAND STUDENT  
LOAN AUTHORITY**

935 Jefferson Blvd., Suite 3000  
Warwick, RI 02886-2225

Phone: 401-468-1700  
Toll-free: 800-758-7562  
TDD: 401-468-1750

[www.risla.com](http://www.risla.com)