Massachusetts Educational Financing Authority

Financial Statements with Management's Discussion and Analysis
June 30, 2015 and 2014

Massachusetts Educational Financing Authority
Index
June 30, 2015 and 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis of the financial position and performance of the Massachusetts Educational Financing Authority (the "Authority") is intended to provide an introduction and analytical overview of the basic financial statements of the Authority on a comparative basis for the fiscal years ended June 30, 2015 (FY15), 2014 (FY14) and 2013 (FY13). This unaudited management's discussion and analysis should be read in conjunction with the attached audited financial statements and the notes thereto in its entirety.

The Authority is a body politic and corporate, constituting a public instrumentality of the Commonwealth of Massachusetts (the "Commonwealth"), which was established pursuant to Chapter 803 of the Acts of 1981, as amended, to assist the Commonwealth's institutions of higher education, students and families in the financing and refinancing of the costs of higher education, and through this process to support the economic development of the Commonwealth. The Authority has established a number of proprietary, unsecured consumer loan programs for this purpose, including fixed and variable rate, undergraduate, graduate, credit-worthy and need-based loans.

Since inception, the Authority has originated loans in cooperation with participating non-profit independent and public colleges and universities and other sponsors, if any, designated from time to time by the Authority, in accordance with common criteria and procedures. The programs are funded using proceeds from Educational Loan Revenue Bonds issued by the Authority (the "Bonds"). The primary goal of these programs is to provide education loans to eligible students and families which will assist them with the cost of attendance at eligible higher education institutions within the Commonwealth and beyond.

In addition to the proprietary, unsecured consumer loan programs, the Authority began participating in the Federal Family Education Loan Program (the "FFELP") in July 2002. The FFELP is a federal program that allows undergraduate and graduate borrowers at eligible postsecondary schools to obtain low cost education loans. Effective July 1, 2010, new legislation eliminated the ability to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Loan Program, which is administered by the Federal Government. The new law did not affect the terms and conditions of existing FFELP loans originated by the Authority. As part of the FFELP, the U.S. Department of Education (the "ED") makes special allowance payments based upon the type of loan and regulations in effect at the time of origination and could result in the loan yield to the lender being higher than the rate charged to borrowers. Beginning with disbursements on or after April 1, 2006, the ED requires lenders to make payment on their individual FFELP portfolios to the ED for the difference when the rate to the borrower is in excess of the stated lender yield for that particular FFELP program. The lender yield is variable and not dependent on whether the underlying loan to the borrower is fixed or variable.

The Bonds, which are issued under various resolutions, are special obligations of the Authority, which has no taxing power, payable solely from the revenues and the funds and accounts established and pledged under the Resolution. No revenues or other assets of the Authority are available to fund payment of the Bonds except as expressly provided by the Resolution. Neither the Commonwealth of Massachusetts nor any political subdivision thereof is or shall be obligated to pay the principal or redemption or purchase price of and interest on the Bonds, and neither the full faith and credit, nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority has the same exemption as the Commonwealth (under I.R.S. Code, Section 115) from filing and/or paying federal income taxes.

In addition to the loan programs, the Authority offers two college savings programs: The U.Plan: The Massachusetts Tuition Prepayment Program (the "U.Plan") and the U.Fund College Investing Plan (the "U.Fund"). The U.Plan, launched in February 1995, is a pre-paid tuition program that permits saving for a named beneficiary's undergraduate tuition and mandatory fees at participating Massachusetts colleges and universities in a manner designed to preserve the purchasing power of savings. The U.Fund, launched in March 1999, is a tax-advantaged method of saving for higher education costs (under I.R.S. Code, Section 529) generally through investment vehicles such as stock, bond and money market mutual funds. These funds are professionally administered and managed by Fidelity Investments (an unrelated party) on behalf of the account owners and are accordingly not a component of these financial statements. Proceeds earned by program participants through investing in the U.Fund are available to pay for costs of higher education nationwide.

USING THE FINANCIAL STATEMENTS

The key to understanding the financial position and changes in the Authority's finances from year to year are presented in the Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by other not-for-profit organizations and private corporations.

The Statement of Net Position includes all assets, deferred outflows, liabilities and deferred inflows of the Authority. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned or in certain instances received, and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

The Statement of Revenue, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. All activities of the Authority are reported as either operating or non-operating. Operating activities are those that support the mission and purpose of the Authority. Non-operating activities represent transactions that are primarily investing, legislative or regulated in nature.

The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities. Cash flow information is an important factor to consider when evaluating financial viability and the Authority's ability to meet financial obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority maintains its accounts and prepares its financial statements in accordance with the accounting principles generally accepted in the United States of America ("GAAP"), as set forth by the Governmental Accounting Standards Board ("GASB"). The financial records of the Authority are maintained on an accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred. The notes to the financial statements explain the financial statements and the accounting principles applied. The Authority's financial statements have been audited by PricewaterhouseCoopers LLP, as independent auditors.

FINANCIAL HIGHLIGHTS

In the financial operations of the Authority, there are principal operating and non-operating components that make up a significant portion of the overall activities. Under the loan programs, the Authority disbursed $185M in private loans in FY15 compared to $177M in FY14. In the U.Fund, net assets continued to grow, increasing 4% in FY15 and 15% in FY14. Contributions to the U.Fund increased by 7% in both FY15 and FY14. For the U.Plan, the Authority had $13.8M of matured tuition certificates on its financial statements as a liability to program participants at the end of FY15 and $7M of deposits for the purchase of tuition certificates effective August 1, 2015. The principal operating revenues for the Authority continue to be interest on education loans. Non-operating revenues are primarily composed of arbitrage rebate income, gains of bond redemptions and investment income. The principal operating expenses are bond interest expense and general and administrative costs. Non-operating expenses are primarily composed of loan program features.

Total net position was $190.6M at the end of FY15, which represents an increase of $18.5M or 11% from the beginning of the fiscal year. This increase was the result of the following principal operating and non-operating activities at the Authority. Interest income on education loans was $93.7M and represents 86% of total revenues in an improving consumer credit environment. Interest expense on bonds outstanding, was $66.1M, or 73% of total expenses. The Authority's general and administrative expenses decreased by 4% to $16.9M and represented 19% of total operating expenses. Non-operating revenues includes arbitrage rebate income of $400K, gain on bonds purchased in lieu of redemption of $130K as well as interest and dividend income of $205K as assets continue to be invested in vehicles providing short-term flexibility and principal protection. Non-operating expenses were $1.2M and represent loan program related expenses in FY15.

OPERATING AND NON-OPERATING RESULTS

The following illustrates the comparative results of total revenues from fiscal years ended June 30, 2015, 2014 and 2013, respectively:

(in thousands)

	2015	2014	2013
Operating revenues			
Interest on educational loan notes receivable	$ 93,721	$ 90,799	$ 87,601
Non-interest revenues	14,362	13,466	13,103
Total operating revenues	108,083	104,265	100,704
Non-operating revenues	802	792	15,940
Total revenues	$ 108,885	$ 105,057	$ 116,644

Total operating revenues for the Authority were $108M in FY15; an increase of approximately 4% compared to the prior fiscal year and represents a fourth consecutive year of total operating revenue growth.

Interest income on education loan notes receivable increased by 3% from FY14 due to an increase in education loan originations and represented 87% of total operating revenues. The Authority disbursed $185M in new loans in FY15 compared to $177M in FY14. Non-interest revenues, which were comprised of loan origination fees, college savings plan revenues and other income, were $14.4M in FY15, an increase of 7% from the prior fiscal year. Loan origination fees increased 5% to $7.8M in FY15 due to increased loan originations and represented 54% of non-interest revenues. College savings plan revenues increased by 6% to $5.1M in 2015 as a result of an increase in assets under management in the U.Fund and represented approximately 35% of non-interest revenues. Other non-interest operating revenues were $1.5M in FY15 and represented 11% on non-interest revenues, which is consistent with prior fiscal years.

Total non-operating revenues for the Authority were $802K in FY15, an increase of $10K compared to the prior fiscal year and include arbitrage rebate income, investment income and gain on bonds purchased in lieu of redemption.

Arbitrage rebate filings for the tax-exempt bond portfolio resulted in income of $400K in FY15 compared to $12K in the prior fiscal year. Interest rate levels remained suppressed in FY15 and the investment portfolio reacted accordingly by producing $205K of interest and dividend income compared to $291K in FY14. Gains on bonds purchased in lieu of redemption were $130K in FY15 as the Authority continues to decrease its auction rate certificate exposure. FY14 and FY13 included gains on bonds purchased in of lieu of redemption of $489K and $13.9M, respectively. The Authority also recognized non-operating revenue of $67K relating to the change in fair value of non-hedging derivatives in FY15.

As a result of these activities, total revenues increased by $3.8M or approximately 4% compared to the prior fiscal year.

The following illustrates the comparative results of total expenses from fiscal years ended June 30, 2015, 2014 and 2013, respectively:

(in thousands)

	2015	2014	2013
Operating expenses			
Interest expense on bonds outstanding	$ 66,146	$ 66,325	$ 64,554
Non-interest expenses	22,995	27,457	28,451
Total operating expenses	89,141	93,782	93,005
Non-operating expenses	1,214	1,554	2,437
Total expenses	$ 90,355	$ 95,336	$ 95,442

Total operating expenses for the Authority were $89M in FY15, a decrease of 5% compared to the prior fiscal year.

Interest expense for bonds outstanding remained relatively flat compared to FY14 and represented 73% of operating expenses, which is consistent with prior years. FY15 interest expense decreased due to a decrease in bonds outstanding, which fully offset a full year of interest expense for bonds issued at the end of FY14.

Non-interest operating expenses decreased by $4.5M or 16% in FY15 due to a decrease in the provision for doubtful education loan notes, bond issuance costs and general and administrative expenses. The provision for doubtful educational loan notes decreased to $3.6M in FY15 compared to $6.4M in FY14 as the seasoned loan portfolio performed as projected and new loan originations were added to the allowance. The provision for doubtful education loan notes receivable represented 16%, 23% and 21% of total non-interest operating expenses for each year presented. FY15 bond issuance costs decreased by $1M compared to FY14 as the Issue I 2015A capital market transaction closed subsequent to year end and only bond issuance costs incurred in FY15 were accrued. General and administrative expenses were $16.9M in FY2015, a decrease of 4% from FY14 due to the restructuring of the outsourced partnership that maintains the web based outreach platform and continued savings from the consolidation of marketing vendors. General and administrative expenses represented 73%, 64%, and 61% of total non-interest operating expenses for each year presented.

Non-operating expenses for the Authority were $1.2M in FY15, a decrease of $340K or 22% compared to the prior fiscal year.

FY2015 non-operating expenses consisted of commitment fee reimbursement accruals of $1.2M related to historical originations that incorporated this loan program feature. No commitment fee reimbursement accruals were required in FY14 and FY13 included commitment fee reimbursements of $1.4M. FY14 and FY13 included a $1M payment to the Commonwealth for program and administrative expenditures for higher educational services to Massachusetts students that began in fiscal year 2009. The Commonwealth's budget did not require a contribution from the Authority for these services in FY15.

As a result of these activities, total expenses decreased by $5M or 5% compared to the prior fiscal year.

CHANGE IN NET POSITION

The following illustrates the comparative results of increases in net position from fiscal years ended June 30, 2015, 2014 and 2013, respectively:

(in thousands)

	2015	2014	2013
Operating revenues	$ 108,083	$ 104,265	$ 100,704
Operating expenses	89,141	93,782	93,005
Operating income	18,942	10,483	7,699
Non-operating revenues	802	792	15,940
Non-operating expenses	1,214	1,554	2,437
Non-operating (loss) income	(412)	(762)	13,503
Increase in net position	$ 18,530	$ 9,721	$ 21,202

The Authority had operating income of $18.9M in FY15, which was an increase of $8.5M from FY14 operating income. FY15 operating income reflects a $3.8M or 4% increase in operating revenues mostly driven by a $3.3M increase in education loan notes interest income and loan origination fees. Operating expense decreased by $4.6M or 5% mostly due to a decrease in the provision for doubtful education loan notes, bond issuance costs and general and administrative expenses. FY14 operating income increased by $2.8M, or 36%, to $10.5M. FY14 operating revenues increased 4% as interest on education loan notes increased by $3.2M and operating expense remained relatively flat.

The Authority had a non-operating loss in FY15 of $412K representing a $350K decrease from the non-operating loss in the prior fiscal year. FY15 non-operating revenue remained relatively flat compared to the prior fiscal year. FY13 non-operating revenue included a gain of $13.9M on bonds purchased in lieu of redemption. FY15 non-operating expense decreased by $340K and represents commitment fee reimbursement accruals related to historical loan originations that incorporated this program feature. Commitment fee reimbursement accruals were $1.2M, $0 and $1.4M in FY15, FY14 and FY13 respectively. FY14 and FY13 non-operating expenses also included payments to the Commonwealth of $1M for program and administrative expenditures related to higher educational services to Massachusetts students that began in fiscal year 2009. The Commonwealth's budget did not require a contribution from the Authority for these services in FY15.

As a result of these activities, net position increased $18.5M during FY15.

FINANCIAL POSITION

The following table reflects the condensed Statement of Net Position at June 30, 2015 compared to the prior fiscal years ended 2014 and 2013. The Statement of Net Position presents the financial position and financial strength of the Authority at the end of the fiscal year and includes all of the assets, liabilities and deferred inflows of the Authority with the residual being classified as net position.

(in thousands)

	2015	2014	2013
Assets			
Cash and investments	$ 247,128	$ 402,091	$ 366,981
Education loan notes receivable	1,469,761	1,472,148	1,458,096
Other assets	35,959	37,893	36,135
Total assets	1,752,848	1,912,132	1,861,212
Liabilities			
Bonds payable	1,484,849	1,661,365	1,619,467
Bond interest payable	33,875	33,648	31,394
Other liabilities	28,063	26,990	27,094
Total liabilities	1,546,787	1,722,003	1,677,955
Deferred Inflows			
Gain on bond refunding	15,360	17,965	20,752
Hedging instruments	96	89	151
Total deferred inflows	15,456	18,054	20,903
Net Position			
Invested in capital assets	928	884	1,314
Restricted	177,047	162,904	150,593
Unrestricted	12,630	8,287	10,447
Total net position	$ 190,605	$ 172,075	$ 162,354

Total net position was $190.6M at June 30, 2015, an increase of $18.5M from the beginning of the fiscal year, or 11%.

As the Issue I 2015A capital market transaction did not close until after fiscal year end, the FY15 balance sheet does not include the related cash proceeds and corresponding bonds payable from that issuance. FY14 and FY13 capital market transactions closed before their respective year ends and this is reflected in the cash and bonds payable balances in those years.

The decrease in FY15 cash and investments is the net result of $246M of net cash used for debt service and $91M of net cash provided by loan and college savings program operating activities. Education loan notes receivable remained consistent year over year. The three-year ratio trend of education loan note receivables to total assets was 84%, 77% and 78% at June 30, 2015, 2014 and 2013, respectively. Other assets decreased by 5% mostly due to a decrease in interest receivable as interest deferred while loans are in school is reclassified to education loan notes receivable once loans enter repayment.

Bonds payable decreased by approximately 11% as $174M of bonds payable were retired in FY15. Other liabilities increased by 4% mostly due to $1.2M of commitment fee reimbursements accrued in FY15. Gain on bond refunding decreased $3M or approximately 15% in FY15 due to the current year amortization of gains deferred in previous fiscal years.

Within net position, 93% is comprised of invested in capital assets and those assets that are restricted through bond resolutions and program specific regulations. Restricted assets in FY15 increased by 8.7% over the prior year and unrestricted net assets increased to $12.6M due to savings reflected in program expenses and not having to contribute to the Commonwealth's budget.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments as resulting from operating activities, capital and related financing activities, and investing activities. Cash and cash equivalents were \$203.7M, \$365.1M, and \$328.8M at June 30, 2015, 2014 and 2013, respectively. This cash ending balance reflects the net activity of raising proceeds in the capital markets, disbursing that cash into education loans and collecting the loan payments over the assets' life to pay debt service and operating expenses.

EDUCATIONAL LOAN NOTES ALLOWANCE ANALYSIS

As of and for the years ending June 30, 2015, 2014 and 2013, respectively, the activity for the Authority's Education Loan Notes Allowance for Doubtful Accounts was as follows:

(in thousands)

Education Loan Note Defaulted Loans Provision

	FY2015	FY2014	FY2013
Allowance at beginning of period	\$46,273	\$39,867	\$33,778
Provision for education loan losses	\$3,603	\$6,406	\$6,089
Allowance at end of period	\$49,876	\$46,273	\$39,867
Gross loan defaults	\$14,768	\$16,161	\$22,948
Recoveries	\$8,541	\$9,983	\$10,261
Net loan defaults	\$6,227	\$6,178	\$12,687
Net loan defaults as a percentage of average loans in repayment	0.52%	0.52%	1.07%
Allowance multiple of average non-current loans in repayment (90+ days)	2.39	2.13	1.65
Allowance as a percentage of the ending total loan balance	3.50%	3.23%	2.81%
Allowance as a percent of ending loans in repayment	4.15%	3.88%	3.36%
Ending total loans, gross	\$1,426,918	\$1,432,072	\$1,418,044
12 month average in repayment	\$1,208,297	\$1,192,776	\$1,186,646
Ending loans in repayment	\$1,202,963	\$1,193,371	\$1,185,723
12 month average 90+ days delinquent	\$20,895	\$21,683	\$24,165
90+ days delinquent % of avg. repayment	1.73%	1.82%	2.04%

The Authority purchases proprietary, unsecured consumer loans from participating institutions at the original principal amount of the note less the applicable origination fee for the loan based on the program from which the loan was issued. The Authority historically originated FFELP loans at the principal amount of the note plus any benefit offered to borrowers impacting the origination fee due to the federal government but did not originate new loans in any of the fiscal years presented.

The Authority uses loan modifications to assist private loan borrowers demonstrating a need for temporary payment relief during difficult economic times. The loan modification plans in place temporarily reduces the borrower's monthly payment for up to a two year period without changing the original loan term or interest rate. As of June 30, 2015, the total principal balance outstanding of loans in a modification status was \$70M, or 6% of all loans in repayment. At June 30, 2015, these modified loans were 97% current, defined as less than 30 days past due, in regard to monthly payments received under the modified terms.

During FY2015, the Authority continued its methodology for estimating the allowance for doubtful accounts, which is derived from historical information based on the loan portfolios performance to achieve the current estimated net realizable value of the outstanding education loan notes. The FY15 provision for education loan losses was $3.6M, which increased the allowance for doubtful accounts to $49.9M. The FY14 provision for education loan losses was $6.4M. The amount of loans in repayment increased by $10M, or less than 1%, in FY15 and increased $8M, or less than 1% in FY14. The amount of loans in deferment at June 30, 2015 decreased by 6% to $224M or 16% of gross education loan receivables. The amount of loans in deferment at June 30, 2014 increased by 3% to $238M or 17% of gross education loan receivables. Approximately $3.7M of the allowance for doubtful accounts is allocated to education loans in deferment in FY15. Approximately $4.0M of the defaulted loan provision allowance is allocated to education loans in deferment in FY14.

DEBT ADMINISTRATION

As of June 30, 2015, the Authority had $1.5B of principal debt outstanding which represented an 11% decrease from FY2014. All of the Authority's outstanding debt is rated by the nationally recognized rating agencies. The Issue E indenture is insured by Ambac Assurance Corporation and has published ratings without credit to the insurer of AA by S&P, AA by Fitch and Aa3 by Moody's. The FRN indenture is not insured and is rated AA+ by S&P, Aaa by Moody's, and AAA by Fitch. The Issue H indenture is insured by Assured Guaranty and has published ratings without credit to the insurer of AA by S&P and A1 by Moody's. The Issue I, Issue J and Issue K indenture are not insured and have published ratings of AA by S&P and A by Fitch. The following is the segmentation of the bonds' outstanding portfolio:

- Fixed rate tax-exempt revenue bonds that were issued to fund fixed rate loans represent 90% of the outstanding bond portfolio (no change from 90% in FY2014 and an increase from 88% in FY2013)
- Annual tax-exempt auction rate bonds that were issued to fund the annual variable rate loans accounted for 0.7% of the outstanding bond portfolio (no change from 0.7% in FY2014 and FY2013)
- 35 day tax-exempt auction rate bonds that were issued to fund FFELP loan products and variable rate private loans were 1% of the outstanding bond portfolio (no change from 1% in FY 2014 and FY2013)
- 28 day taxable auction rate bonds that were issued to fund variable rate private loans were 1% of the outstanding bond portfolio (no change from 1% in FY2014 and FY2013)
- 7 day taxable auction rate bonds that were issued to fund variable rate private loans were 0.3% of the outstanding bond portfolio (no change from 0.3% in FY2014 and FY2013)
- Floating Rate Notes indexed to Libor that were issued in 2008 to fund existing FFELP loan products represent 7% of the outstanding bond portfolio (no change from 7% in FY2014 and a decrease from 9% in FY2013)

The Authority uses interest rate exchange agreements to provide a cap on the variable rate bonds interest rate. The use of derivatives has multiple risks inherent in their overall structure. Such risks include credit risk, basis risk, termination risk, origination risk, tax risk and prepayment risk. To mitigate some of the risks, the Authority implemented credit support annexes and limited the option of termination by the counterparties to defined events in the International Swap Dealers Association ("ISDA") agreements. At June 30, 2015, the Authority had outstanding $167M in notional derivative products, a decrease of $13M from FY14, composed of tax-exempt and taxable bonds with a cap on the variable interest rate.

CAPITAL ASSETS

For the year ended June 30, 2015, the Authority had $928K invested in capital assets. This amount represents a net increase (additions and depreciation) of $44K in such assets. The following reconciliation summarizes the change in capital assets. The Authority purchased $496K of new capital assets during FY2015 which were primarily related to computer hardware & software development.

(in thousands)

	2015	2014	2013
Beginning balance, net	$ 884	$ 1,314	$ 1,739
Additions	496	150	365
Depreciation	(452)	(580)	(790)
Ending balance, net	$ 928	$ 884	$ 1,314

FINANCIAL CONTACT

The Authority's financial statements are designed to present readers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. If you have any questions regarding the report or need additional financial information, please contact MEFA at 160 Federal Street, 4th Floor, Boston, Massachusetts 02110.

Independent Auditor's Report

To the Members of the Massachusetts Educational Financing Authority:

We have audited the accompanying financial statements of Massachusetts Educational Financing Authority (the "Authority"), which comprise the statements of net position as of June 30, 2015 and June 30, 2014, and the related statements of revenues, expenses, and changes in net position and the statements of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Authority'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 Authority'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 respective financial position of the Massachusetts Educational Financing Authority at June 30, 2015 and June 30, 2014, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The accompanying Management's Discussion and Analysis ("MD&A") for the years ended June 30, 2015, 2014 and 2013 on pages 1 through 9 is required by accounting principles generally accepted in the United States of America 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 the appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and 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 audits 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information on pages 37 through 44 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Boston, Massachusetts
December 21, 2015

(in thousands)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 4)	$ 175,617	$ 138,478
Investments, at fair value (Notes 3 and 4)	24,218	24,131
Education loan notes receivable, net (Notes 5 and 10)	201,677	193,677
Interest receivable on educational loan notes	31,003	33,934
Prepaid expenses and other assets	3,013	2,134
Total current assets	435,528	392,354
Non-current assets		
Cash and cash equivalents (Notes 3 and 4)	28,118	226,644
Investments, at fair value (Notes 3 and 4)	19,175	12,838
Derivative instruments – caps (Notes 3 and 7)	1,015	941
Education loan notes receivable, net (Notes 5 and 10)	1,268,084	1,278,471
Capital equipment, net of accumulated depreciation (Note 13)	928	884
Total assets	$ 1,752,848	$ 1,912,132
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 16,693	$ 16,443
Bonds payable – current portion (Note 6)	34,618	27,253
Certificates payable (Note 9)	7,079	7,030
Accrued bond interest payable	33,875	33,648
Other liabilities – current (Note 8)	2,916	-
Total current liabilities	95,181	84,374
Non-current liabilities		
Bonds payable – net of current portion (Note 6)	1,450,231	1,634,112
Other liabilities – non-current (Note 8)	1,375	3,517
Total liabilities	1,546,787	1,722,003
Deferred inflows of resources		
Net gain on bond refunding (Notes 3 and 6)	15,360	17,965
Hedging instruments (Notes 3 and 7)	96	89
Total deferred inflows of resources	15,456	18,054
Total liabilities and deferred inflows of resources	1,562,243	1,740,057
Net position		
Invested in capital assets	928	884
Restricted	177,047	162,904
Unrestricted	12,630	8,287
Total net position	190,605	172,075
Total liabilities, deferred inflows of resources and net position	$ 1,752,848	$ 1,912,132

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority
Statements of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2015 and 2014
(in thousands)

	2015	2014
Operating revenues		
Interest on education loan notes receivable (Note 3)	$ 93,721	$ 90,799
Loan origination fees	7,821	7,449
College savings plan interest and fees	5,013	4,722
Other revenue	1,528	1,295
Total operating revenues	108,083	104,265
Operating expenses		
Bond interest expense (Note 6)	66,146	66,325
Bond insurance	337	397
Costs of bond issuance	780	1,780
Provision for doubtful education loan notes receivable	3,603	6,406
Credit decision fees	882	843
General and administrative (Notes 3, 11, 12, and 13)	16,869	17,612
Other expense	524	419
Total operating expenses	89,141	93,782
Operating income	18,942	10,483
Non-operating (expenses) revenues		
Gain on bond redemption (Note 15)	130	489
Interest and dividends	205	291
Arbitrage rebate income (Note 3)	400	12
Increase (decrease) in fair value of derivative instruments	67	(554)
Commitment fees to participating schools (Note 8)	(1,214)	-
Contributions to the Commonwealth (Note 14)	-	(1,000)
Net non-operating expenses	(412)	(762)
Total increase in net position	18,530	9,721
Net position, beginning of year	172,075	162,354
Net position, end of year	$ 190,605	$ 172,075

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority
Statements of Cash Flows
For the years ended June 30, 2015 and 2014
(in thousands)

	2015	2014
Cash flows from operating activities:		
Payments for disbursed loans	$ (185,102)	$ (177,017)
Payments received on outstanding loan principal	212,591	179,743
General and administrative payments	(17,676)	(18,513)
Interest received on education loans	75,244	71,653
Proceeds from other sources	6,328	6,192
Net cash provided by operating activities	91,385	62,058
Cash flows from non-capital financing activities:		
Proceeds from issuance of bonds	-	201,234
Costs of bond issuance	(780)	(1,780)
Bond interest paid	(70,832)	(68,189)
Principal payments on bonds payable	(174,078)	(157,517)
Commitment fees refunded to participating schools	(415)	-
Contributions to the Commonwealth	-	(1,000)
Net cash used in non-capital financing activities	(246,105)	(27,252)
Cash flows from capital financing activities:		
Purchase of capital equipment and software development	(496)	(150)
Net cash used in capital financing activities	(496)	(150)
Cash flows from investing activities:		
Proceeds from maturity/sale of investments	22,404	34,534
Purchases of investments	(28,780)	(33,122)
Interest and dividends received on cash and investments	205	293
Net cash (used in) provided by investing activities	(6,171)	1,705
Net (decrease) increase in cash and cash equivalents	(161,387)	36,361
Cash and cash equivalents, beginning of year	365,122	328,761
Cash and cash equivalents, end of year	$ 203,735	$ 365,122

The accompanying notes are an integral part of the financial statements.

(in thousands)

Reconciliation of operating income to net cash provided by operating activities	2015	2014
Operating income	$18,942	$10,483
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	452	580
Provision for doubtful education loan notes receivable	3,603	6,406
Costs of bond issuance	780	1,780
Arbitrage rebate	400	-
Bond interest expense	66,146	66,325
Changes in assets and liabilities:		
Education loan notes receivable	(1,216)	(20,458)
Interest receivable on education loan notes	2,931	(2,992)
Accounts payable and accrued expenses	226	(252)
Prepaid expenses and other assets	(879)	186
Net cash provided by operating activities	$91,385	$62,058

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. THE AUTHORITY

The Massachusetts Educational Financing Authority (the "Authority") is a body politic and corporate, constituting a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Authority was established as the Massachusetts College Student Loan Authority pursuant to Chapter 803 of the Acts of 1981, as amended (the "Act"), in recognition of the increasing costs of higher education, to assist students, their parents and institutions of higher education in the Commonwealth in financing, refinancing, and saving for the costs of such education.

In furtherance of the purposes of the Act, the Authority is engaged in loan purchase programs under which participating institutions originate loans, in accordance with common criteria and procedures, for sale to the Authority. The programs are carried out using proceeds from Education Loan Revenue Bonds (the "Bonds") (see *Note 6*). The programs incorporate the following features: prudent lending standards, fixed and variable rate loans, financing programs open concurrently to a number of educational institutions, including public, private and out-of-state, and various reserves established as security for the loan programs. A primary goal of the programs is to provide education loans on terms and conditions to finance the costs of attendance for as many families as possible at not-for-profit institutions in the Commonwealth as well as Commonwealth residents attending higher education institutions out of the state. During FY2015, 98 Massachusetts and 384 out of state public and private not for profit institutions participated in the loan programs.

The Bonds, which are issued under various resolutions, are special obligations of the Authority, which has no taxing power, payable solely from the revenues and the funds and accounts established and pledged under the resolutions (principles upon which the bonds operate). No revenues or other assets of the Authority are available to fund payment of the Bonds except as expressly provided by the resolutions. Neither the Commonwealth of Massachusetts nor any political subdivision thereof is or shall be obligated to pay the principal or redemption or purchase price of and interest on the Bonds, and neither the full faith and credit, nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority has the same exemption as the Commonwealth (under I.R.S. Code, Section 115) from filing and/or paying federal income taxes.

In February 1995, the Authority, in cooperation with the Commonwealth and Massachusetts's colleges and universities, introduced the Massachusetts College Saving Program, which was further named The U.Plan: The Massachusetts Tuition Prepayment Program (the "U.Plan") as a means to distinguish between each of the Authority's two college savings programs. The U.Plan is a prepaid tuition program that permits individuals to save for a beneficiary's undergraduate tuition and mandatory fees at participating Massachusetts colleges and universities in a manner designed to preserve the purchasing power of an individual's savings.

In March 1999, the Authority, on behalf of the Commonwealth, introduced the U.Fund College Investing Plan (the "U.Fund"). The U.Fund is a tax-advantaged method of saving for higher education costs generally through investment vehicles such as stock, bond and money market mutual funds. Those funds are professionally administered and managed by Fidelity Investments (an unrelated party) on behalf of the owners of the funds and accordingly are not a component of these financial statements.

In July 2002, the Authority, introduced the Federal Family Education Loan Program (the "FFELP") as a means to complement the existing proprietary consumer loan products and enhance the potential borrowing options available to families attending educational institutions within the Commonwealth and residents of the Commonwealth who choose to attend college out of state. Effective July 1, 2010, new legislation eliminated the ability to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Loan Program, which is administered by the Federal Government. The new law did not affect the terms and conditions of existing FFELP loans originated by the Authority. In the case of defaults on FFELP loans, the federal government guarantees to the participating lenders 98% of the principal and interest outstanding for those loans originated prior to July 1, 2006 and 97% for loans originated prior to the conclusion of the program by the Federal government on July 1, 2010.

As part of the FFELP, the U.S. Department of Education (the "ED") makes special allowance payments based upon the type of loan and regulations in effect at the time of origination and could result in the loan yield to the lender being higher than the rate charged to borrowers. Beginning with disbursements on or after April 1, 2006, the ED requires lenders to make payment on their individual FFELP portfolios to the ED for the difference when the rate to the borrower is in excess of the stated lender yield for that particular FFELP program. The lender yield is variable and not dependent on whether the underlying loan to the borrower is fixed or variable.

2. BASIS OF PRESENTATION

Accounting and Reporting Standards

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB").

The GASB defines the basic financial statements of a business type activity as the following: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, Management's Discussion and Analysis and, as required, any supplemental information. The GASB also requires the categorization of the former fund balance section of the Statement of Net Position into three components. The Statement of Net Position is presented to illustrate both the current and non-current balances of each asset and liability, as well as deferred outflows of resources and deferred inflows of resources. All revenues and expenses are classified as either operating or non-operating activities in the Statement of Revenues, Expenses and Changes in Net Position. Operating activities are those that support the mission and purpose of the Authority. Non-operating activities represent transactions that are capital, investing, legislative or regulated in nature.

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. For external accounting and reporting purposes, net position is classified in the following three categories:

- **Invested in capital assets, net of related debt**: capital assets, net of accumulated depreciation and outstanding principal balances of debt, if applicable, attributable to the acquisition, construction or improvement of those assets.

- **Restricted net position**: net position subject to externally imposed stipulations or enabling legislation that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. The Authority's restricted assets are all expendable and are discussed below:

  - **Trusteed Funds**
    The Bond Resolutions for the Trusteed Funds establish various funds and accounts, the primary purpose of which is to (i) provide a basis for the allocation and disbursement of monies received by the Bond Funds; (ii) pay issuance costs; (iii) provide for the periodic payment of principal and interest; and (iv) establish reserves to provide for the timely servicing of debt obligations (see *Note 5*). The use of the assets of the various funds and accounts is governed and restricted by the Trusteed Fund Resolutions (see *Note 6*).

    The assets, deferred outflows, liabilities, deferred inflows, and net position of these funds are the sole responsibility of the trust of each of the individual bond indentures. Neither the Authority, the College Savings funds, nor any other indenture have any entitlement to any of the assets or any legal obligation to settle any of the liabilities of these bond indentures.

  - **U.Plan**
    The College Savings Funds (the "Fund") consist of the U.Plan and the U.Fund. The U.Plan is governed by the terms and conditions of participation described in the Program Description and Offering Statement, including the Enrollment Agreement that is in effect for each enrollment year. The Fund accounts for fee income and for the operating expenses of the U.Plan as well as all monies received from the program investors and other deposits (*see Note 9*).

  - **Participation Fund for Public Colleges and Universities of the Commonwealth**
    Pursuant to Chapter 65, Section 3, of the Acts of 1984, the Authority established the State Colleges and Universities Participation Fund. Monies in the participation fund may be

used solely for the purpose of supporting the participation of public colleges and universities in the Authority's education loan programs.

- **Program Reserve Fund**
  Pursuant to Chapter 15C, Section 5C, of the General Laws as established by Chapter 803 of the Acts of 1981, and as amended by Chapter 133, Section 12, of the Acts of 1992 (the "Act"), the program reserve fund was established by the Authority. The Act authorized the Authority to develop and establish a comprehensive state-supported supplemental education loan program. The program consists of lending medium and long-range fixed rate and variable rate loans. These programs were structured to operate as a line of credit or other programs and options as the Authority may determine to be useful and feasible. These programs shall operate at effective rates of interest and other feasible terms.

- **Unrestricted net position**: net position that is not subjected to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Authority's unrestricted net position includes the general fund, where operational expenses and purchases of capital assets are paid, and the U.Fund. The general fund may also include outstanding loans that remain after an entire trust is retired. The Authority's unrestricted assets are all expendable and discussed below:

  - **General Fund**
    The General Fund, through monthly draws from the Trusteed Funds and College Savings Funds, maintains the funds available for paying the operating expenses of the Authority, purchasing the capital assets for the Authority on an as needed basis and supporting the capital market activities through direct contributions for cost of issuance and over collateralization requirements of structured transactions.

  - **U.Fund**
    The U.Fund is governed by the terms and conditions of participation described in the Fidelity Brokerage Services, Inc. Customer Agreement and the U.Fund Supplemental Information. While the beneficial interests of the participants of the U.Fund (or overall aggregate value of these funds) are not included in the financial statements, the Authority does receive certain fees and incurs related operating expenses in connection with the U.Fund that are included in these financial statements. The related revenue earned and expenses incurred by the Authority in offering the U.Fund program are not subject to externally imposed stipulations and therefore the aggregate net position of the program are classified on the Statement of Net Position as unrestricted (*see Note 9).*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred. The use of various funds and accounts in the Trusteed Funds is specified in the respective Bond Resolutions (*see Note 6*). Other significant accounting policies are as follows:

Management Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Certain relevant elements such as tax policies, political and economic conditions, competition in products, asset pricing variance and interest rate fluctuations and relationships may result in actual results differing from those estimated. The Authority makes every effort to incorporate an analysis of all market conditions as of the Statement of Net Position date in determining what to record as the most accurate estimates.

Cash, Cash Equivalents and Investments
Cash and cash equivalents are comprised of cash in bank depository accounts and short term money market funds in the Trusteed Funds. The investments of the Authority, the alternatives of which are governed by the Authority's enabling legislation, include short term money market funds within the Authority's General

and U.Plan funds and guaranteed investment contracts carried at contract value, which approximates fair value.

Interest and Fees on Education Loan Notes Receivable
Interest and fee income on education loan notes receivable is accrued and credited as earned on the principal amount outstanding.

Allowance for Education Loan Notes Receivable
The Trusteed Fund Resolutions establish cash and investment reserve accounts to provide funding for education loan notes receivable which may reach a specified state of delinquency or uncollectibility (*see Note 5*). For financial accounting purposes, adjustments to the allowance for the estimated amount for each of the aforementioned items are included as an expense or revenue in the Statement of Revenues, Expenses and Changes in Net Position of the respective Trusteed Fund. This aggregate allowance is reviewed and adjusted as necessary based on management's assessment of the net realizable value of the loan portfolio.

In accordance with the Internal Revenue Code of 1986 (the "Code") and the related Treasury regulations, the Authority is required to keep the yield to the Authority on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. The Authority has traditionally selected to utilize loan forgiveness at the retirement of the bonds to keep the yield within the designated percentage of the interest costs of the related tax-exempt borrowing. A separate method of reducing yield is to make yield reduction payments to the United States Treasury. These estimated yield reduction payments may be made by the end of the tenth year and every fifth year thereafter during the life of each bond issue and when the bonds are retired. The Authority has contracted with a third party to calculate the estimated liability of the yield restrictions for bonds that are near the end of their term. Management works closely with this third party and reviews and evaluates all final output. The resulting estimated liability is recorded as an adjustment to the net realizable value of the loan portfolio. The factors used in determining this estimate are sensitive to change in the future and consequently the change in estimate may be material to the financial statement results. This current model of estimating is subject to change based on management's judgment and discretion.

Arbitrage Rebate
In accordance with the Code, the Authority may be required to pay to the United States Treasury certain amounts related to the Authority's tax-exempt bond issues. The estimated amount of arbitrage payable represents the excess, if any, of amounts earned on bond proceeds and certain related funds on taxable securities (except for earnings that are not required to be rebated under limited exemptions under the Code) over the interest due on the Authority's tax-exempt bonds, plus income attributable to any such excess. Such rebate payments are due every fifth year of each bond issue and when the bonds are retired. The Authority contracts with a third party to calculate estimated amounts due on an annual basis to the federal government. After review and evaluation of this estimate, management records a corresponding liability amount expected to be remitted.

Capital Equipment
Capital equipment, including: computer hardware and software development costs, furniture and fixtures, office equipment and leasehold improvements, is recorded at cost less accumulated depreciation computed using the straight-line method over an estimated useful life of 3 to 10 years *(see Note 13).* Capital equipment is defined as assets over a certain dollar threshold with an estimated useful life in excess of one year.

Investment Earnings
Earnings on cash and investments include interest earned on cash and investments as well as fair value adjustments on cash equivalents and investments. The net (decrease)/increase in fair value takes into account all changes in fair value that occurred during the year.

Accounting and Financial Reporting for Refunding of Debt
Gains and losses on retirement of debt are accounted for in accordance with GASB 23 and GASB 65. The gains and losses on debt refunding, which involve the issuance of new debt whose proceeds are used to pay previously issued debt, have been recognized as deferred inflows or outflows of resources and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. Gains and losses on extinguishment of debt that does not involve a refunding are recognized immediately.

Advertising
The Authority expenses advertising costs as incurred. For the years ended June 30, 2015 and 2014, advertising expense (included in general and administrative expenses) was $886K and $677K, respectively.

General and Administrative Expenses
General and administrative expenses are funded by the Trusteed Funds, College Savings Plans and Authority funds based on an operating budget prepared by Authority management and approved annually by the Board of Directors.

Derivative Instruments
In June 2008, the GASB issued Statement No. 53 ("GASB 53"), *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value on the Statement of Net Position and to measure the annual change in the fair value of non-hedging derivatives as investment income or loss in the Statement of Revenues, Expenses, and Changes in Net Position. GASB 53 also provides guidance addressing hedge accounting requirements.

The fair values of the hedgeable derivatives and investment derivatives are presented on the Statement of Net Position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in fair value of derivatives is recorded as a deferred inflow or outflow of resources if determined to be an effective hedge and presented on the Authority's Statement of Net Position. If a derivative instrument does not meet the criteria of a hedging derivative, the change in fair value is presented as an increase (decrease) in fair value of investment derivative on the Statement of Revenues, Expenses and Changes in Net Position.

New Accounting Pronouncements
In March, 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority is currently considering the impact of GASB 72, which will be effective in fiscal year 2016.

In June, 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB 76 will apply to the Authority's financial statements beginning in fiscal year 2016.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's enabling legislation and its individual Trusteed Fund Resolutions govern the investment alternatives available to the Authority. In general, the Authority may invest in obligations of the United States Government and its agencies, investment grade securities issued by the various states, time deposits in banks which are federally insured (provided that, to the extent such time deposits exceed insurance, they are either fully collateralized or are rated in the top three rating categories by Standard and Poor's Corporation ("S&P") or Moody's Investor's Service Inc. ("Moody's")) and in repurchase and investment agreements with financial institutions or insurance companies which are rated in the top three rating categories by S&P or Moody's or which meet certain capital standards. The requirements within the top three rating categories vary among the Trusteed Funds and also depend upon the type of investment.

The following summarize the cash, cash equivalents and investments of the Authority and identifies certain types of investment risk as defined by Governmental Accounting Standards Board No. 40 Deposit and Investment Risks Disclosures ("GASB 40") at June 30, 2015 and 2014, respectively.

(in thousands)	Fair Value June 30, 2015	Fair Value June 30, 2014
Cash deposits	$ 1,608	$ 857
Investment agreements	1,020	400
Mutual funds:		
Money market funds – Authority	42,373	36,497
Money market funds - Trusteed Funds	202,127	364,265
Certificate of Deposit	-	72
Total cash, cash equivalents and investments	$ 247,128	$ 402,091

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. The Authority manages its exposure to interest rate risk by structuring its investment portfolio so that investments mature to meet cash requirements for ongoing operations and investing operating funds primarily in shorter-term investments.

Credit Risk and Custodial Credit Risk
Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that in the event of a financial institution counterparty failure, the Authority's deposits or investments may not be returned to it. The Authority manages its exposure to credit risk and custodial credit risk by limiting investments to those permitted by the Authority's enabling legislation and its investment policy.

As of June 30, 2015 and June 30, 2014, $1.4M and $708K were exposed to custodial credit risk as uninsured and uncollateralized deposits, respectively. As stated in the Authority's investment policy, depository banks are required to be rated in the top three rating categories by S&P or Moody's.

As of June 30, 2015, the Authority had guaranteed investment contracts with the following financial institutions:

Investment Agreement Contract Provider	Current S&P Ratings
Natixis Funding Corp	A-
Rabobank	A+

As of June 30, 2015, the Authority had the following cash and investments by financial institution within each outstanding trust and the Authority:

Authority and College Savings Funds	Cash and Investments	% of Total
Bank of America	$ 1,184,338	2.7%
Fidelity U.S. Government Portfolio	$ 19,833,248	44.9%
Fidelity MA Municipal Fund	$ 22,966,077	51.9%
First American Tax Free Obligations Fund	$ 232,261	0.5%

Issue E Indenture	Cash and Investments	% of Total
Natixis Funding Corp	$ 960,000	2.7%
Rabobank	$ 59,519	0.3%
Bank of America	$ 271,342	0.8%
Fidelity U.S. Government Portfolio	$ 33,040,531	96.2%

Issue FRN Indenture	Cash and Investments	% of Total
Fidelity U.S. Government Portfolio	$ 7,532,329	100.0%

Issue H Indenture	Cash and Investments	% of Total
Bank of America	$ 22,137	0.1%
Fidelity U.S. Government Portfolio	$ 20,336,337	99.9%

Issue I Indenture	Cash and Investments	% of Total
Bank of America	$ 98,326	0.1%
Fidelity U.S. Government Portfolio	$ 89,688,304	99.9%

Issue J Indenture	Cash and Investments	% of Total
Bank of America	$ 27,537	0.2%
Fidelity U.S. Government Portfolio	$ 29,336,158	99.8%

Issue K Indenture	Cash and Investments	% of Total
Bank of America	$ 3,893	0.1%
Fidelity U.S. Government Portfolio	$ 21,534,904	99.9%

5. EDUCATIONAL FINANCINGS

During the years ended June 30, 2015 and 2014, respectively, the activity for the Authority's Education Loan Notes receivable was as follows:

(in thousands)

	2015	2014
Outstanding education loan notes receivable (beginning) gross	$ 1,518,421	$ 1,497,963
Increases to education loan notes receivable	214,318	200,612
Decreases to education loan notes receivable	(213,102)	(180,154)
Outstanding education loan notes receivable (ending) gross	1,519,637	1,518,421
Allowance for education loan notes receivable (beginning)	46,273	39,867
Increase to allowance for education loan notes receivable	3,603	6,406
Allowance for education loan notes receivable (ending)	49,876	46,273
Outstanding education loan notes receivable, net (ending)	$ 1,469,761	$ 1,472,148

The Authority purchased proprietary, unsecured consumer education loans from participating institutions at the original principal amount of the note less the applicable origination fee for the loan based on the program from which the loan was issued.

The allowance for educational loan notes receivable is derived from information based on the loan portfolios historical default and recovery performance to achieve the current estimated net realizable value of the outstanding education loan notes. The allowance increased as a result of a $3.6M and $6.4M increase to the provision for doubtful education loan notes receivable in fiscal years 2015 and 2014, respectively. The Authority has expensed historically in aggregate a net of $39M of education loan notes related to the tax-exempt yield restrictions through FY2015. No allowance for yield restriction was required at June 30, 2015 and 2014. The yield restriction expense is required in order to maintain the tax-exempt status of the bonds under Federal IRS regulations.

The Authority uses loan modifications to assist private loan borrowers demonstrating a need for temporary payment relief during difficult economic times. The loan modification plans in place temporarily reduce the borrower's monthly payment for up to a two year period without changing the original loan term or interest rate. As of June 30, 2015 and 2014, the total principal balance outstanding of loans in a modified status was $70M and $57M, respectively and represented approximately 6% and 5% of all loans in repayment. At June 30, 2015 and 2014, respectively, these modified loans were 97% and 93% current, defined as less than 30 days past due, in regard to monthly payments received under the modified terms. Loans in a modified payment plan status are factored into the allowance for education loan notes receivable, which is based on historical default and recovery performance.

The Authority originates loans in cooperation with participating non-profit independent and public colleges and universities in Massachusetts, which have students from throughout the United States. Further, it originates loans from non-profit independent and public colleges and universities from outside of the Commonwealth for those Massachusetts residents attending schools out of state. Through June 30, 2015, the Authority had originated loans through 1,007 out of state higher education institutions since 1998 when the program was implemented.

The loan and debt service reserve funds are designed and funded to provide another level of support for defaulted loans and debt service payments that provide stability to the cash flow of the bond issuance. On an annual basis, the reserve requirements are reviewed and funded by cash balances or surety bond agreements at levels approved by the insurer or rating agencies of each specific bond issue. The fund balance of the loan and debt service reserve requirements in aggregate was $21.3M and $23.5M for fiscal years 2015 and 2014, respectively.

6. BONDS PAYABLE

The activity related to the Authority's bonds payable for the fiscal years ended 2015 and 2014 was as follows:

(in thousands)	2015	2014
Bonds outstanding, gross beginning balance	$ 1,635,098	$ 1,607,403
Bonds issued	-	185,700
Bonds redeemed	(174,208)	(158,005)
Bonds outstanding, gross ending balance	1,460,890	1,635,098
Net unamortized issuance premiums	23,959	26,267
Bonds outstanding, net ending balance	$ 1,484,849	$ 1,661,365

Bonds payable issued under the individual Trust resolutions are payable from a pledge of the assets and revenues of each Trusteed Fund. In addition, payment of the principal and interest on the Issue E and Issue H Bonds are further collateralized by non-cancelable municipal bond insurance policies issued simultaneously with the delivery of the Bonds. Bonds may be redeemed at par and ahead of scheduled maturity under circumstances specified in the Bond Resolutions.

As of June 30, 2015 mandatory annual maturities of bonds principal payable for the next five fiscal years and thereafter are as follows (in thousands):

	2016	2017	2018	2019	2020	Remaining Schedule	Total Payable
2001 Issue E	500	-	-	-	-	-	500
2002 Issue E	-	-	-	-	-	50	50
2003 Issue E	-	-	-	-	-	11,900	11,900
2004 Issue E	-	-	-	-	-	3,700	3,700
2005 Issue E	-	-	-	-	-	575	575
2006 Issue E	-	-	-	-	-	19,750	19,750
2007 Issue E	-	-	3,555	6,040	7,365	160,590	177,550
2008 FRN	-	-	-	-	-	95,635	95,635
2008 Issue H	-	-	-	-	-	104,585	104,585
2009 Issue I	19,320	6,015	18,465	13,510	17,860	92,575	167,745
2010 Issue I	11,765	29,885	14,760	18,620	19,670	139,380	234,080
2011 Issue J	-	-	530	4,185	5,480	82,230	92,425
2012 Issue J	-	-	-	7,360	13,650	131,550	152,560
2013 Issue K	2,600	1,580	1,190	8,540	13,455	186,770	214,135
2014 Issue I	-	4,000	11,000	13,000	4,000	153,700	185,700
	$34,185	$41,480	$49,500	$71,255	$81,480	$ 1,182,990	$1,460,890

In July 2015, the Authority redeemed fixed rate bonds outstanding of $85.2M and $5.6M of floating rate notes. In August 2015, the Authority purchased in lieu of redemption $2.0M in outstanding auction rate bonds.

The following is a summary of the principal maturities and estimated interest expense for the bonds payable outstanding at June 30, 2015 (in thousands):

Year Ending June 30	Principal	Interest	Total Debt Service
2016	34,185	68,760	102,945
2017	41,480	67,210	108,690
2018	49,500	65,076	114,576
2019	71,255	62,319	133,574
2020	81,480	58,640	140,120
2021-2025	459,815	224,670	684,485
2026-2030	513,855	97,074	610,929
2031-2035	78,410	12,333	90,743
2036-2040	130,910	4,377	135,287
	$1,460,890	$660,459	$2,121,349

Total interest expense for the years ended June 30, 2015 and 2014 was $66.1M and $66.3M, respectively. For fiscal years 2015 and 2014 there is $2.6M and $2.8M of amortization of the net deferred gain on bond program activities included in the total bond interest expense, respectively. Also, for fiscal years 2015 and 2014 bond interest expense includes $2.3M and $1.3M amortization of bond issuance premium, respectively.

Issue E Series 2001A, 2001B, 2001C and 2001D

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued $66.7M principal amount of bonds dated March 1, 2001 requiring annual principal payments each January 1 commencing on January 1, 2005. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2001. Issue E Series 2001A Bonds mature as follows: $66.7M serial bonds which mature annually from 2005 to 2016 in annual amounts ranging from $2.8M to $23.2M with interest at rates ranging from 4.125% to 5.30%. Bonds maturing on or after July 1, 2011 are redeemable at the option of the Authority at redemption prices equal to 100% of the principal amount.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued $10M principal amount of bonds dated April 4, 2001 bearing an interest rate which changes not less than 7 days or more than 373 days**.** Under certain circumstances, the interest on all or a portion of the Series 2001B Bonds may be converted to a fixed rate. Interest on the Series 2001B Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On August 29, 2009, the remaining outstanding Series 2001B Bonds were repurchased and the series was retired.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued $58.2M principal amount of bonds dated April 4, 2001 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2001C Bonds could be converted to a fixed rate. Interest on the Series 2001C Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2001C Bonds were repurchased and the series was retired.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued $18.2M principal amount of bonds dated April 4, 2001 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2001D Bonds could be converted to a fixed rate. Interest on the Series 2001D Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2001D Bonds were repurchased and the series was retired.

The ending balance of this entire series at June 30, 2015 is $500K.

Issue E Series 2002A, 2002B, 2002C, 2002D and 2002E

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued $74.5M principal amount of bonds dated March 6, 2002 requiring annual principal payments each January 1 commencing on January 1, 2003. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2002. Issue E Series 2002A Bonds mature as follows: $74.5M serial bonds which mature annually from 2003 to 2015 in annual amounts ranging from $1.5M to $17.4M with interest at rates ranging from 1.90% to 5.00%. Bonds maturing on or after January 1, 2013 are redeemable at the option of the Authority at redemption prices equal to 100% of the principal amount. On January 1, 2015, the final principal payment was made and the 2002A series was retired.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued $15M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes not less than 7 days or more than 373 days. Under certain circumstances, the interest on all or a portion of the Series 2002B Bonds may be converted to a fixed rate. Interest on the Series 2002B Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. On June 27, 2013, the remaining outstanding Series 2002B Bonds were repurchased and the series was retired.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued $35.1M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2002C Bonds could be converted to a fixed rate. Interest on the Series 2002C Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2002C Bonds were repurchased and the series was retired.

On April 11, 2002, under the Issue E Series 2002D Bond Resolution, the Authority issued $35.1M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2002D Bonds could be converted to a fixed rate. Interest on the Series 2002D Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. On June 27, 2013, the remaining outstanding Series 2002D Bonds were repurchased and the series was retired.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued $42.5M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days (as of June 30, 2015, the rate was 0.280%). Under certain circumstances, the interest on all or a portion of the Series 2002E Bonds could be converted to a fixed rate. Interest on the Series 2002E Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The final maturity of the Series 2002E Bonds is scheduled for January 1, 2037.

As a result of scheduled maturities of $3.0M in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is $50K.

Issue E Series 2003A, 2003B, 2003C, 2003D and 2003E
On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued $45M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days (as of June 30, 2015, the rate was 0.065%). Under certain circumstances, the interest on all or a portion of the Series 2003A Bonds may be converted to a fixed rate. Interest on the Series 2003A Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Issue E Series 2003A Bonds are subject to mandatory sinking fund redemptions totaling $24.9M from fiscal 2010 to 2020 in annual amounts ranging from $200K to $3.5M. The final maturity of the Series 2003A Bonds is scheduled for January 1, 2038.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued $30M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes not less than 7 days or more than 373 days. Under certain circumstances, the interest on all or a portion of the Series 2003B Bonds may be converted to a fixed rate. Interest on the Series 2003B Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch for $30M of Series 2003B Bonds with a maturity of January 1, 2027. On June 27, 2013, the remaining outstanding Series 2003B Bonds were repurchased and the series was retired.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued $20M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2003C Bonds could be converted to a fixed rate. Interest on the Series 2003C Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2003C Bonds were repurchased and the series was retired.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued $20M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2003D Bonds could be converted to a fixed rate. Interest on the Series 2003D Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2003D Bonds were repurchased and the series was retired.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued $44.9M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. As of March 18, 2004, the Authority changed the auction mode of the total $44.9M to bear an interest rate, which changes not less than 7 days nor more than 373 days (as of June 30, 2015, the rate was 0.455%). Under certain circumstances, the interest on all or a portion of the Series 2003E Bonds could be converted to a fixed rate. Interest on the Series 2003E Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch, for $42M of Series 2003E bonds with a maturity of January 1, 2026. The final maturity of the Series 2003E Bonds is scheduled for January 1, 2038.

As a result of a purchase in lieu of redemption of $1M in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is $11.9M.

Issue E Series 2004A, 2004B, 2004C and 2004D

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued $65M principal amount of bonds dated December 2, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2015, the rate was 0.298%). Under certain circumstances, the interest on all or a portion of the Series 2004A Bonds may be converted to a fixed rate. Interest on the Series 2004A Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. The Issue E Series 2004A Bonds are subject to a mandatory sinking fund redemption totaling $10M for the period ending 2010. The final maturity of the Series 2004A Bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued $40M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days (as of June 30, 2015, the rate was 0.298%). Under certain circumstances, the interest on all or a portion of the Series 2004B Bonds may be converted to a fixed rate. Interest on the Series 2004B Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. The Authority also entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire $40M of Series 2004B Bonds with a maturity of April 1, 2026. The final maturity of the Series 2004B Bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued $20M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2004C Bonds could be converted to a fixed rate. Interest on the Series 2004C Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2004C Bonds were repurchased and the series was retired.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued $20M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2004D Bonds could be converted to a fixed rate. Interest on the Series 2004D Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On October 16, 2008, the remaining outstanding 2004D Bonds were repurchased and the series was retired.

The ending balance of this entire series at June 30, 2015 is $3.7M.

Issue E Series 2005A, 2005B, 2005C and 2005D

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued $100M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2015, the rate was 0.280%). Under certain circumstances, the interest on all or a portion of the Series 2005A Bonds may be converted to a fixed rate. Interest on the Series 2005A Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. The Issue E Series 2005A Bonds are subject to a mandatory sinking fund redemption totaling $51.9M from fiscal 2006 to

2019 in annual amounts ranging from $250K to $8.5M. The final maturity of the Series 2005A Bonds is scheduled for July 1, 2040.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued $50M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2015, the rate was 0.280%). Under certain circumstances, the interest on all or a portion of the Series 2005B Bonds may be converted to a fixed rate. Interest on the Series 2005B Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. The final maturity of the Series 2005B Bonds is scheduled for July 1, 2040.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued $33.7M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2005C Bonds may be converted to a fixed rate. Interest on the Series 2005C Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. On May 15, 2007, the remaining outstanding Series 2005C Bonds were repurchased and the series was retired.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued $28.2M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2005D Bonds may be converted to a fixed rate. Interest on the Series 2005D Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2005D Bonds were repurchased and the series was retired.

As a result of a purchase in lieu of redemption of $100K in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is $575K.

Issue E Series 2006A, 2006B, 2006C and 2006D
On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued $75M for the 2006A-1 series and $75M for the 2006A-2 series for a total of $150M principal amount of bonds dated June 13, 2006 bearing an interest rate, which changes every 35 days (as of June 30, 2015, the rate for 2006A-1 was 0.280% and the rate for 2006A-2 was 0.065%). Under certain circumstances, the interest on all or a portion of the Series 2006A Bonds may be converted to a fixed rate. Interest on the Series 2006A Bonds is payable on each January 1 and July 1 commencing on July 1, 2006 and on any conversion date. The Issue E Series 2006A Bonds are subject to a mandatory sinking fund redemption totaling $17.9M from fiscal 2011 to 2017 in annual amounts ranging from $600K to $4.4M. The final maturity of the Series 2006A Bonds is scheduled for January 1, 2036.

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued $57.9M principal amount of bonds dated June 13, 2006 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2006B Bonds may be converted to a fixed rate. Interest on the Series 2006B Bonds is payable on each January 1 and July 1 commencing on July 1, 2006 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2006B Bonds were repurchased and the series was retired.

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued $55M principal amount of taxable bonds dated June 13, 2006 bearing an interest rate, which changes every 28 days (as of June 30, 2015, the rate was 1.625%). Under certain circumstances, the interest on all or a portion of the Series 2006C Bonds may be converted to a fixed rate. Interest on the Series 2006C Bonds is payable every 28 days commencing on July 12, 2006 and upon any conversion date. The Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch for $50M of the Series 2006C Bonds with a maturity of July 1, 2027. The final maturity of the Series 2006C Bonds is scheduled for January 1, 2036.

On June 13, 2006 under the Issue E Series 2006 Bond Resolution, the Authority issued $50M principal amount of taxable bonds dated June 13, 2006 bearing an interest rate, which changes every 28 days (as of June 30, 2015, the rate was 1.221%). Under certain circumstances, the interest on all or a portion of the Series 2006D Bonds may be converted to a fixed rate. Interest on the Series 2006D Bonds is payable every 28 days commencing on July 14, 2006 and upon any conversion date. The final maturity of the Series 2006D Bonds is scheduled for January 1, 2036.

As a result of a purchase in lieu of redemption of $25K in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is $19.8M.

Issue E Series 2007A, 2007B, 2007C, 2007D and 2007E

On April 5, 2007, under the Issue E Series 2007 Bond Resolution, the Authority issued $200M principal amount of bonds dated March 30, 2007 requiring annual principal payments each January 1 commencing on January 1, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2007. Issue E Series 2007A Bonds mature as follows: $200M term bonds which mature January 1, 2022, January 1, 2027, and January 1, 2033 with interest rates ranging from 4.60% to 4.70%. The Issue E Series 2007A Bonds are subject to sinking fund installments totaling $161.9M from fiscal 2018 to 2032 in annual amounts ranging from $4.4M to $18.1M. Bonds maturing on or after January 1, 2017 are redeemable at the option of the Authority at redemption prices equal to 100% of the principal amount.

On April 5, 2007, under the Issue E Series 2007 Bond Resolution, the Authority issued $85.4M principal amount of bonds dated April 5, 2007 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2007B Bonds may be converted to a fixed rate. Interest on the Series 2007B Bonds is payable on each January 1 and July 1 commencing on July 1, 2007 and on any conversion date. The Issue E Series 2007B Bonds are subject to a mandatory sinking fund redemption totaling $17.4M from fiscal 2011 to 2017 in annual amounts ranging from $600K to $6.2M. On June 30, 2014, the remaining outstanding Series 2007B Bonds were repurchased and the series was retired.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued $85M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 28 days (as of June 30, 2015, the rate was 0.094%). Under certain circumstances, the interest on all or a portion of the Series 2007C Bonds may be converted to a fixed rate. Interest on the Series 2007C Bonds is payable every 28 days commencing on May 4, 2007 and upon any conversion date. The Authority also entered into an interest rate cap transaction with UBS AG, Stamford Branch for $85M of the Series 2007C Bonds with a maturity of July 1, 2033. The final maturity of the Series 2007C Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued $60M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 28 days (as of June 30, 2015, the rate was 0.120%). Under certain circumstances, the interest on all or a portion of the Series 2007D Bonds may be converted to a fixed rate. Interest on the Series 2007D Bonds is payable every 28 days commencing on May 4, 2007 and upon any conversion date. The final maturity of the Series 2007D Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued $55M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 7 days (as of June 30, 2015, the rate was 0.000%). Under certain circumstances, the interest on all or a portion of the Series 2007E Bonds may be converted to a fixed rate. Interest on the Series 2007E Bonds is payable every 7 days commencing on April 13, 2007 and upon any conversion date. The final maturity of the Series 2007E Bonds is scheduled for January 1, 2037.

As a result of redemptions of $37.4M in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is $177.6M.

Issue FRN 2008

On July 2, 2008, under the FRN Indenture, the Authority issued $296M principal amount of floating rate bonds with a final maturity date of April 25, 2038. Quarterly interest payments are required on each distribution date, which is the 25th day of the month for the months of January, April, July and October. The notes will bear interest at an annual rate equal to three-month LIBOR plus 0.95%. Outstanding note principal may be redeemed on each quarterly distribution as determined by the Indenture requirements. The ending balance of this entire series as of June 30, 2015 is $95.6M.

Issue H Series 2008A

On September 16, 2008, under the Issue H Series 2008 Bond Resolution, the Authority issued $400M principal amount of bonds requiring annual principal payments each January 1 commencing on January 1, 2016. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2009. Issue H Series 2008 Bonds mature as follows: $400M term bonds which mature January 1, 2022 and January 1, 2030 with interest rates ranging from 6.125% to 6.35%. The Issue H Series 2008 Bonds are subject to sinking fund installments totaling $159.7M from 2016 to 2022 in annual amounts ranging from $1.6M to $30.1M and $240.4M from 2022 to 2030 in annual amounts ranging from $4.6M to $38.7M. Bonds maturing on or after January 1, 2019, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2018.

As a result of redemptions of $16.8M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is $104.6M.

Issue I Series 2009A
On June 26, 2009, under the Issue I 2009 Bond Resolution, the Authority issued $289M principal amount of bonds dated June 30, 2009, requiring annual principal payments each January 1 commencing on January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2010. Issue I 2009A Bonds mature as follows: $132.4M serial bonds which mature annually from 2012 to 2020 in annual amounts ranging from $2.5M to $17.8M with interest at rates ranging from 3.40% to 5.75%; and $156.6M term bonds which mature in 2023 and 2028. The term bonds are subject to annual sinking fund installments totaling $41.9M from 2021 to 2022 and $114.7M from 2023 to 2027. Bonds maturing on or after January 1, 2023, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020. The Issue I 2009 Bonds were issued with a premium of $1.7M.

As a result of scheduled maturities and redemptions of $34.1M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is $168.5M including the unamortized premium that was incorporated in the initial sale of the bonds.

Issue I Series 2010A and 2010B
On February 3, 2010, under the Issue I 2010 Bond Resolution, the Authority issued $318.5M principal amount of bonds dated February 18, 2010 requiring annual principal payments each January 1 commencing January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2010. Issue I Series 2010A Bonds mature as follows: $318.5M serial bonds which mature annually from 2012 to 2030 in annual amounts ranging from $4.2M to $37.8M with interest at rates ranging from 2.00% to 5.50%. Bonds maturing on or after January 1, 2021, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020.

On February 3, 2010, under the Issue I 2010 Bond Resolution, the Authority issued $86.5M principal amount of bonds dated February 18, 2010 requiring annual principal payments each January 1 commencing January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2010. Issue I Series 2010B Bonds mature as follows: $41.2M serial bonds which mature annually from 2012 to 2020 in annual amounts ranging from $2.0M to $7.1M with interest at rates ranging from 2.55% to 5.375%; and $45.3M term bonds which mature 2023 and 2031. The term bonds are subject to annual sinking fund installments totaling $10.6M from 2021 to 2022 and $34.7M from 2029 to 2030. Bonds maturing on or after January 1, 2023, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020.

The Issue I 2010 Bonds were issued with a premium of $4.4M.

As a result of scheduled maturities and redemptions of $33.9M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is $235.9M, including the unamortized premium that was incorporated in the initial sale of the bonds and net deferred gain on bond program activities.

Issue J Series 2011
On June 24, 2011, under the Issue J 2011 Bond Resolution, the Authority issued $102.9M principal amount of bonds dated July 13, 2011 requiring annual principal payments each July 1 commencing July 1, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2012. Issue J Series 2011 Bonds mature as follows: $90.9M serial bonds which mature annually from 2017 to 2029 in annual amounts ranging from $0.5M to $11.2M with interest at rates ranging from 4.00% to 5.625%; and $12M of term bonds which mature in 2033. The Issue J Series 2011Bonds are subject to sinking fund installments totaling $12M from fiscal 2030 to 2033 in annual amounts ranging from $1.5M to $8.6M. Bonds maturing on or after July 1, 2022, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2021. The Issue J Series 2011 Bonds were issued at a discount of $0.4M.

As a result of redemptions of $6.9M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is $92.1M, including the unamortized discount that was incorporated in the initial sale of the bonds.

Issue J Series 2012
On June 1, 2012, under the Issue J 2012 Bond Resolution, the Authority issued $168.3M principal amount of bonds dated June 27, 2012 requiring annual principal payments each July 1 commencing July 1, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2013.

Issue J Series 2012 Bonds are term bonds which mature annually from 2018 to 2030 in annual amounts ranging from $2.5M to $25.7M with interest at rates ranging from 3.10% to 5.00%. Bonds maturing on July 1, 2022, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2021. The Issue J Series 2012 Bonds were issued with a premium of $4.2M.

As a result of redemptions of $10.4M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is $155.7M, including the unamortized premium that was incorporated in the initial sale of the bonds.

Issue K Series 2013
On June 20, 2013, under the Issue K 2013 Bond Resolution, the Authority issued $222M principal amount of bonds dated June 27, 2013 requiring annual principal payments each July 1 commencing July 1, 2015. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2014. Issue K Series 2013 Bonds mature as follows: $135.1M serial bonds which mature annually from fiscal year 2016 to 2026 in annual amounts ranging from $1.2M to $20.8M with interest at rates ranging from 2.00% to 5.00%, $86.9M of term bonds maturing in 2029 and 2032 with interest at rates of 5.25% and 5.375%. Bonds maturing on or after July 1, 2023 are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2022. The Issue K Series 2013 Bonds were issued with a premium of $4.6M.

As a result of redemptions of $7.9M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is $218.1M, including the unamortized premium that was incorporated in the initial sale of the bonds.

Issue I Series 2014
On May 8, 2014, under the Issue I 2014 Bond Resolution, the Authority issued $185.7M principal amount of bonds dated June 17, 2014 requiring annual principal payments each January 1 commencing January 1, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2015. Issue I Series 2014 Bonds mature as follows: $167.6M serial bonds which mature annually from fiscal year 2017 to 2027 in annual amounts ranging from $0.8M to $37.5M with interest at rates ranging from 3.00% to 5.00%, $18.1M of term bonds maturing in 2032 with an interest rate of 4.375%. Bonds maturing on or after January 1, 2026 are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2025. The Issue I Series 2014 Bonds were issued with a premium of $15.5M.

The ending balance of this entire series as of June 30, 2015 is $200.3M, including the unamortized premium that was incorporated in the initial sale of the bonds.

7. DERIVATIVES DISCLOSURE

As a method to manage the debt costs associated with financing fixed and variable rate student loans, the Authority has engaged in the use of interest rate cap derivatives which are structured specifically with regard to its underlying asset portfolio and includes such risks as credit risk, basis risk, termination risk, tax risk and prepayment risk. In recognition of these potential risks associated with the products, the Authority has employed certain risk management techniques such as embedded call options, credit support annexes and amortizing notional amounts that will provide for efficiency and flexibility in its future ability to manage the derivative portfolio. For derivatives, it is the Authority's policy not to engage in trading, market making or other speculative activities.

Interest Rate Caps

Objective of interest rate caps
The purpose of the cap is to place a ceiling on the debt service payments associated with the variable rate bonds. Capping the variable rate debt allows the Authority to offer variable rate loans to borrowers with the assurance that the interest rate assessed on their loans will not exceed a specific rate. It is the intent that the caps will remain in effect until the maturity date of the derivative trade or could be terminated early as part of any Statement of Net Position management strategy.

Terms, fair value and credit risk
As of June 30, 2015, approximately 27% of the portfolio of interest rate caps consisted of a strike rate of 75% of one year USD-LIBOR-BBA as the underlying interest rate with a cap rate of 9.00%, while

approximately 73% of the portfolio had a strike rate of 100% of one month USD-LIBOR-BBA and a cap rate of 9.40%. All interest rate caps have been purchased with a one time, up-front payment generally upon the closing of each individual bond issuance. The total cost of all caps purchased historically was $4.1M. All of the $167M in notional outstanding as of June 30, 2015, were structured to amortize until final maturity of the trade.

The fair values of the interest rate caps were as follows:

June 30, 2015
(in thousands)

Associated Bond Issue	Notional Amounts	Effective Date	Fair Values	Cap Maturity Date	Counterparty Credit Rating
Issue E 2003B	$11,570	3/13/2003	$6	January 2027	(A2/A)
Issue E 2003E	$16,000	3/10/2004	$6	January 2026	(A2/A)
Issue E 2004B	$17,600	3/31/2005	$10	January 2026	(A2/A)
Issue E 2006C	$36,600	6/13/2006	$104	July 2027	(A2/A)
Issue E 2007C	$85,000	4/5/2007	$889	January 2033	(A2/A)
	$166,770		**$1,015**		

June 30, 2014
(in thousands)

Associated Bond Issue	Notional Amounts	Effective Date	Fair Values	Cap Maturity Date	Counterparty Credit Rating
Issue E 2003B	$13,640	3/13/2003	$7	January 2027	(A2/A)
Issue E 2003E	$18,830	3/10/2004	$8	January 2026	(A2/A)
Issue E 2004B	$20,280	3/31/2005	$12	January 2026	(A2/A)
Issue E 2006C	$41,800	6/13/2006	$98	July 2027	(A2/A)
Issue E 2007C	$85,000	4/5/2007	$816	January 2033	(A2/A)
	$179,550		**$941**		

Fair value: The fair value was developed using the zero-coupon method. This method calculates the future net settlement payments required by the cap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the cap.

Changes in fair value that represent effective hedging relationships have been recorded as deferred inflows on the Statement of Net Position. Deferred inflows relating to changes in fair value of effective derivatives were $95.6K and $89.4K at June 30, 2015 & 2014, respectively. Derivatives that do not meet the criteria of an effective hedging relationship are considered investment derivatives and changes in fair value are presented as an increase or decrease in fair value of investment derivatives on the Statement of Revenues, Expenses & Changes in Net Position. During FY2015, the increase in fair value for investment derivatives recorded as income was $67K. In FY2014, the fair value for investment derivatives decreased and the expense recorded was $544K.

Credit Risk: As of June 30, 2015, the UBS AG counterparty rating for the cap portfolio was at least A2/A by Moody's and S&P, respectively. Credit risk may occur if the auction rate exceeds the cap and the counterparty is unable to fulfill its obligation to reimburse the Authority the difference between the market interest rate and the cap. If this was to occur and trust assets could not cover debt service expenses, the insured trust estate would be responsible for all debt payments on the bonds.

Termination risk: The interest rate cap contract employs the ISDA Master Agreement, which includes standard termination events, such as decrease in credit ratings, failure to pay and bankruptcy. The counterparty must maintain a long-term debt rating of at least A2 from Moody's and at least A from Standard & Poor's. The Authority may terminate any of its caps at any time; however, the counterparty's rights are limited to defined events.

Rollover risk: At maturity or termination, there could be a resulting change in the cost of the variable debt outstanding. If the Authority decides to enter a new derivative contract at this time, market risk may exist. The current market conditions at that time will determine whether it will be suitable to the Authority to extend the terms. Otherwise, the debt on the variable rate bonds will be subject to the prevailing interest rate and the subsequent auctions until maturity.

Debt Issuance	Debt Maturity Date	Cap Maturity Date
Issue E Series 2003B	January 1, 2038	January 1, 2027
Issue E Series 2003E	January 1, 2038	January 1, 2026
Issue E Series 2004B	January 1, 2038	January 1, 2026
Issue E Series 2006C	January 1, 2036	July 1, 2027
Issue E Series 2007C	January 1, 2037	January 1, 2033

8. COMMITMENT FEES TO PARTICIPATING INSTITUTIONS

Prior to the 2003 origination year, the Authority received commitment fees from participating private institutions as part of program participation requirements in the annual loan origination cycle. Under the Bond Resolutions, these commitment fees may be reimbursed at the direction of the Authority dependent upon the successful retirement of all Bonds under each individual series and the successful retirement of all Bonds in a trust structure. Commencing in March 2003, the Authority eliminated the commitment fee requirement from the Authority's loan programs.

Commitment fee reimbursements due to participating institutions within the next three years have been accrued as it is probable payment will be made and the liability can be reasonably estimated. Reimbursements due within the next fiscal year are $2.9M and included in Other liabilities – current on the Statement of Net Position at June 30, 2015. Non-current commitment fee reimbursements are included in Other liabilities – non-current on the Statement of Net Position and were $1.2M and $3.3M at June 30, 2015 and June 30, 2014, respectively.

9. COLLEGE SAVINGS INVESTING PROGRAMS

The U.Plan was developed by the Authority in cooperation with the Commonwealth of Massachusetts, pursuant to specific legislative authorization in 1989. The purpose of the U.Plan is to allow families to save for undergraduate tuition at participating Massachusetts's colleges and universities in a manner designed to preserve the purchasing power of the savings.

As of June 30, 2015 and 2014, the Authority had deposits of $7.1M and $7.0M respectively, for the purchase of tuition certificates under the Commonwealth of Massachusetts General Obligation Bonds, effective August 1, 2015 and August 1, 2014, respectively.

As part of the annual cycle of the U.Plan program, Commonwealth of Massachusetts General Obligation Bonds were purchased as follows:

(in thousands)

	Bonds Purchased		Issue Date	Maturity Dates From/Through
1995 College Opportunity Bonds, Series A	$	26,122	August 1, 1995	August 1, 2000 / 2015
1996 College Opportunity Bonds, Series A	$	18,970	August 1, 1996	August 1, 2001 / 2016
1997 College Opportunity Bonds, Series A	$	19,902	August 1, 1997	August 1, 2002 / 2017
1998 College Opportunity Bonds, Series A	$	17,683	August 1, 1998	August 1, 2003 / 2018
1999 College Opportunity Bonds, Series A	$	12,862	August 1, 1999	August 1, 2004 / 2019
2000 College Opportunity Bonds, Series A	$	6,626	August 1, 2000	August 1, 2005 / 2020
2001 College Opportunity Bonds, Series A	$	5,636	August 1, 2001	August 1, 2006 / 2021
2002 College Opportunity Bonds, Series A	$	5,970	August 1, 2002	August 1, 2007 / 2022
2003 College Opportunity Bonds, Series A	$	6,343	August 1, 2003	August 1, 2008 / 2023
2004 College Opportunity Bonds, Series A	$	7,118	August 1, 2004	August 1, 2009 / 2024
2005 College Opportunity Bonds, Series A	$	7,078	August 1, 2005	August 1, 2010 / 2025
2006 College Opportunity Bonds, Series A	$	5,763	August 1, 2006	August 1, 2011 / 2026
2007 College Opportunity Bonds, Series A	$	6,028	August 1, 2007	August 1, 2012 / 2027
2008 College Opportunity Bonds, Series A	$	5,894	August 1, 2008	August 1, 2013 / 2028
2009 College Opportunity Bonds, Series A	$	6,903	August 1, 2009	August 1, 2014 / 2029
2010 College Opportunity Bonds, Series A	$	8,426	August 1, 2010	August 1, 2015 / 2030
2011 College Opportunity Bonds, Series A	$	9,031	August 1, 2011	August 1, 2016 / 2031
2012 College Opportunity Bonds, Series A	$	11,738	August 1, 2012	August 1, 2017 / 2032
2013 College Opportunity Bonds, Series A	$	10,998	August 1, 2013	August 1, 2018 / 2033
2014 College Opportunity Bonds, Series A	$	9,781	August 1, 2014	August 1, 2019 / 2034
Total	$	208,872		

The tuition certificates represent a beneficial ownership interest in these bonds. The bonds bear interest at a rate equal to the annual increase in the consumer price index plus 2.5%. Between the date deposits are collected from participants and the purchase of the bonds, the amounts collected and a related liability to participants are recorded on the Statement of Net Position as certificates payable. Once bonds are purchased, the liability is removed from the Statement of Net Position of the Authority. When bonds mature, the cash is moved to an investment account restricted to MEFA's use and an associated liability to U.Plan participants is recorded on the Statement of Net Position. As of June 30, 2015 and 2014, included in accounts payable and accrued expenses, were matured certificates payable to U.Plan participants in the amounts of $13.8M and $14.1M, respectively.

The U.Fund was developed by the Authority on behalf of the Commonwealth of Massachusetts under section 529 of the Internal Revenue Code of 1986, as amended. The purpose of the U.Fund is to allow families to save for higher education expenses through the investment in mutual funds, which are professionally managed by Fidelity Investments. At June 30, 2015 and 2014, the U.Fund was composed of thirty six mutual fund portfolios generally comprised of stock, bond, and money market funds. Each portfolio is designed to accommodate the asset allocation based on the risk profile of the participants. As of June 30, 2015 and 2014, net assets for the U.Fund were $5,019M and $4,827M, respectively.

10. RELATED PARTIES

During FY2015, two Members of the Authority were officers/trustees of participating institutions and during FY2014, three Members of the Authority were officers/trustees of participating institutions. During the years ended June 30, 2015 and 2014, the Authority purchased loans totaling $22.2M and $21.3M, respectively, in principal balance, from these institutions. At June 30, 2015 and 2014, $161.5M and $171.1M, respectively, of loans purchased from those institutions were outstanding.

11. DEFINED CONTRIBUTION PLANS

All employees of the Authority participate in a defined contribution plan, the Massachusetts Educational Financing Authority Retirement Saving Plan (the "Plan"). The Authority annually contributes an amount equal to 11% of an employee's annual gross salary to the Plan. The Authority also matches 50% of employee salary contributions up to a maximum of 6% to the Deferred Compensation Plan of the Massachusetts Education Financing Authority (the "Deferred Plan"). Total employee contributions to the Deferred Plan for the years ended June 30, 2015 and 2014 were $312K and $350K, respectively. Vesting at 100% occurs in the Deferred Plan after two years of employment. It is the Authority's policy to fund contributions to both plans on a current basis. Total retirement plan expense for the years ended June 30, 2015 and 2014 was $585K and $594K, respectively. The Authority pays administrative expenses of the plans for the plan participants and TD Ameritrade is the custodian of the plan assets.

12. LEASE COMMITMENT

The Authority entered into a ten year operating lease agreement for its current office space which commenced in February 2008 and expires in 2018 and also has other operating lease arrangements for office equipment. The office lease payments are subject to the Authority paying certain operating costs, such as annual escalation for increases in real estate taxes and operating expenses.

As of June 30, 2015, annual minimum operating lease payments for the office space and office equipment are as follows for the following five fiscal years and thereafter:

(in thousands)

	2016	2017	2018	2019	2020	Thereafter
Minimum operating lease payments	$ 919	$ 921	$ 623	$ -	$ -	$ -

The following schedule shows the composition of total operating lease expenses included in general and administrative expense on the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30:

(in thousands)

	2015	2014
Minimum operating lease expenses	$ 871	$ 871
Additional operating lease expenses	157	135
Total operating lease expenses	$ 1,028	$ 1,006

13. CAPITAL EQUIPMENT

The activity related to the Authority's capital assets for the fiscal years ended 2015 and 2014, respectively, was as follows:

(in thousands)

	June 30, 2014	Additions	Disposals	June 30, 2015
Computer hardware	$ 644	$ 40	$ -	$ 684
Computer software	4,665	407	-	5,072
Furniture	787	9	-	796
Equipment	155	3	-	158
Leasehold improvements	503	37	-	540
Total capital equipment (at cost)	6,754	496	-	7,250
Accumulated depreciation	(5,870)	(452)	-	(6,322)
Capital equipment, net	$ 884	$ 44	$ -	$ 928

	June 30, 2013	Additions	Disposals	June 30, 2014
Computer hardware	$ 597	$ 47	$ -	$ 644
Computer software	4,570	95	-	4,665
Furniture	787	-	-	787
Equipment	155	-	-	155
Leasehold improvements	495	8	-	503
Total capital equipment (at cost)	6,604	150	-	6,754
Accumulated depreciation	(5,290)	(580)	-	(5,870)
Capital equipment, net	$ 1,314	$ (430)	$ -	$ 884

Included in general and administrative expenses are depreciation expenses of $452K and $580K for the years ended June 30, 2015 and June 30, 2014, respectively.

14. CONTRIBUTION TO COMMONWEALTH

During fiscal year 2009, the Authority entered into an agreement with the Department of Higher Education to provide funding to the Commonwealth of Massachusetts for a higher education program providing services to Massachusetts students. In fiscal year 2014, $1M was contributed for funding toward program and administrative expenditures related to this program. The Commonwealth's budget did not require a contribution from the Authority for these services in FY15.

15. GAINS RELATED TO THE BOND PROGRAM

During FY2015, the Authority purchased in lieu of redemption approximately $1.2M in outstanding auction rate bonds with cash on hand resulting in a current year gain on the retirement of debt totaling approximately $130K.

In FY2014, the Authority purchased in lieu of redemption approximately $3.5M in outstanding auction rate bonds with cash on hand resulting in a gain on the retirement of debt totaling approximately $489K.

16. SUBSEQUENT EVENTS

On July 9, 2015, the Authority issued $184.76M of Education Loan Revenue Bonds Issue I, Series 2015A for the purpose of funding the origination and disbursement of education loans in the 2015 and 2016 academic year.

On August 27, 2015, as part of the annual cycle of the U.Plan prepaid tuition program, the Authority purchased Commonwealth of Massachusetts General Obligation Bonds in the amount of $9.2M at which time the corresponding liability was removed from the Statement of Net Position of the Authority.

On November 30, 2015, the Authority issued $76M of Education Loan Revenue Bonds Issue I, Series 2015B for the purpose of funding loans to refinance higher education expenses under a new component of the Authority's MEFA Financing Program.

Massachusetts Educational Financing Authority

Statements of Net Position

June 30, 2015 and 2014

	2015				2014			
Assets	**Trusteed Funds**	**College Savings Funds**	**Authority Funds**	**Total**	**Trusteed Funds**	**College Savings Funds**	**Authority Funds**	**Total**
Current assets								
Cash and cash equivalents (Notes 3 and 4)	$ 174,432	$ 437	$ 748	$ 175,617	$ 138,149	$ 244	$ 85	$ 138,478
Investments, at fair value (Notes 3 and 4)	1,020	23,198	-	24,218	400	23,731	-	24,131
Education loan notes receivable, net (Notes 5 and 10)	199,848	-	1,829	201,677	191,587	-	2,090	193,677
Interest receivable on educational loan notes	31,001	-	2	31,003	33,927	-	7	33,934
Prepaid expenses and other assets	370	2,199	444	3,013	105	1,736	293	2,134
Interfund balances	(583)	-	583	-	(413)	-	413	-
Total current assets	406,088	25,834	3,606	435,528	363,755	25,711	2,888	392,354
Non-current assets								
Cash and cash equivalents (Notes 3 and 4)	27,460	-	658	28,118	225,986	-	658	226,644
Investments, at fair value (Notes 3 and 4)	-	15,360	3,815	19,175	-	10,776	2,062	12,838
Derivative instruments - caps (Notes 3 and 7)	1,015	-	-	1,015	941	-	-	941
Educational loan notes receivable, net (Notes 5 and 10)	1,267,883	-	201	1,268,084	1,278,109	-	362	1,278,471
Capital equipment, net of accumulated depreciation (Note 13)	-	-	928	928	-	-	884	884
Total assets	$ 1,702,446	$ 41,194	$ 9,208	$ 1,752,848	$ 1,868,791	$ 36,487	$ 6,854	$ 1,912,132
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	$ 1,278	$ 13,781	$ 1,634	$ 16,693	$ 1,007	$ 14,077	$ 1,359	$ 16,443
Bonds payable - current portion (Note 6)	34,618	-	-	34,618	27,253	-	-	27,253
Certificates payable (Note 9)	-	7,079	-	7,079	-	7,030	-	7,030
Accrued bond interest payable	33,875	-	-	33,875	33,648	-	-	33,648
Other liabilities - current (Note 8)	2,916	-	-	2,916	-	-	-	-
Total current liabilities	72,687	20,860	1,634	95,181	61,908	21,107	1,359	84,374
Non-current liabilities								
Bonds payable - net of current portion (Note 6)	1,450,231	-	-	1,450,231	1,634,112	-	-	1,634,112
Other liabilities (Note 8)	-	-	1,375	1,375	3,330	-	187	3,517
Total liabilities	1,522,918	20,860	3,009	1,546,787	1,699,350	21,107	1,546	1,722,003
Deferred inflows of resources								
Net gain on bond refunding (Notes 3 and 6)	15,360	-	-	15,360	17,965	-	-	17,965
Hedging instruments (Notes 3 and 7)	96	-	-	96	89	-	-	89
Total deferred inflows of resources	15,456	-	-	15,456	18,054	-	-	18,054
Total liabilities and deferred inflows of resources	1,538,374	20,860	3,009	1,562,243	1,717,404	21,107	1,546	1,740,057
Net position								
Invested in capital assets	-	-	928	928	-	-	884	884
Restricted	164,070	10,576	2,401	177,047	151,384	9,119	2,401	162,904
Unrestricted	2	9,758	2,870	12,630	3	6,261	2,023	8,287
Total net position	164,072	20,334	6,199	190,605	151,387	15,380	5,308	172,075
Total liabilities, deferred inflows and net position	$ 1,702,446	$ 41,194	$ 9,208	$ 1,752,848	$ 1,868,791	$ 36,487	$ 6,854	$ 1,912,132

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority

Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2015 and 2014

	2015				2014			
	Trusteed Funds	**College Savings Funds**	**Authority Funds**	**Total**	**Trusteed Funds**	**College Savings Funds**	**Authority Funds**	**Total**
Operating revenues								
Interest on education loan notes receivable (Note 3)	$ 93,697	$ -	$ 24	$ 93,721	$ 90,748	$ -	$ 51	$ 90,799
Loan origination fees	7,821	-	-	7,821	7,449	-	-	7,449
College savings plan interest and fees	-	5,013	-	5,013	-	4,722	-	4,722
Other revenue	-	1,334	194	1,528	-	1,294	1	1,295
Total operating revenues	101,518	6,347	218	108,083	98,197	6,016	52	104,265
Operating expenses								
Bond interest expense (Note 6)	66,146	-	-	66,146	66,325	-	-	66,325
Bond insurance	337	-	-	337	397	-	-	397
Costs of bond issuance	780	-	-	780	1,780	-	-	1,780
Provision for doubtful educational loan notes receivable	3,603	-	-	3,603	6,406	-	-	6,406
Credit decision fees	882	-	-	882	843	-	-	843
General and administrative (Notes 3, 11, 12, and 13)	14,555	1,511	803	16,869	11,500	5,200	912	17,612
Other expense	510	-	14	524	418	-	1	419
Total operating expenses	86,813	1,511	817	89,141	87,669	5,200	913	93,782
Operating income (loss)	14,705	4,836	(599)	18,942	10,528	816	(861)	10,483
Non-operating revenues (expenses)								
Gain on bond redemption (Note 15)	130	-	-	130	489	-	-	489
Interest and dividends	86	118	1	205	228	62	1	291
Arbitrage rebate income (Note 3)	400	-	-	400	12	-	-	12
Increase (decrease) in fair value of derivative instruments	67	-	-	67	(554)	-	-	(554)
Commitment fees to participating schools (Note 8)	-	-	(1,214)	(1,214)	-	-	-	-
Contributions to the Commonwealth (Note 14)	-	-	-	-	-	-	(1,000)	(1,000)
Net asset transfers	(2,703)	-	2,703	-	241	-	(241)	-
Net non-operating revenues (expenses)	(2,020)	118	1,490	(412)	416	62	(1,240)	(762)
Total increase (decrease) in net position	12,685	4,954	891	18,530	10,944	878	(2,101)	9,721
Net position, beginning of year	151,387	15,380	5,308	172,075	140,443	14,502	7,409	162,354
Net position, end of year	$ 164,072	$ 20,334	$ 6,199	$ 190,605	$ 151,387	$ 15,380	$ 5,308	$ 172,075

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority

Statements of Cash Flows

For the years ended June 30, 2015 and 2014

	2015				2014			
Cash flows from operating activities:	**Trusteed Funds**	**College Savings Funds**	**Authority Funds**	**Total**	**Trusteed Funds**	**College Savings Funds**	**Authority Funds**	**Total**
Payments for disbursed loans	$ (185,102)	$ -	$ -	$ (185,102)	$ (177,017)	$ -	$ -	$ (177,017)
Payments received on outstanding loan principal	212,181	-	410	212,591	179,138	-	605	179,743
General & administrative payments	(15,367)	(2,250)	(59)	(17,676)	(12,956)	(5,104)	(453)	(18,513)
Interest received on education loans	75,216	-	28	75,244	71,604	-	49	71,653
Proceeds from other sources	-	6,328	-	6,328	-	5,990	202	6,192
Net cash provided by operating activities	86,928	4,078	379	91,385	60,769	886	403	62,058
Cash flows from non-capital financing activities:								
Proceeds from issuance of bonds	-	-	-	-	201,234	-	-	201,234
Costs of bond issuance	(780)	-	-	(780)	(1,780)	-	-	(1,780)
Bond interest paid	(70,832)	-	-	(70,832)	(68,189)	-	-	(68,189)
Principal payments on bonds payable	(174,078)	-	-	(174,078)	(157,517)	-	-	(157,517)
Contribution to the Commonwealth	-	-	-	-	-	-	(1,000)	(1,000)
Commitment fees refunded to participating schools	(415)	-	-	(415)	-	-	-	-
Net asset transfers	(2,533)	-	2,533	-	255	-	(255)	-
Net cash (used in) provided by non-capital financing activities	(248,638)	-	2,533	(246,105)	(25,997)	-	(1,255)	(27,252)
Cash flows from capital financing activities:								
Purchase of capital equipment and software development	-	-	(496)	(496)	-	-	(150)	(150)
Net cash used in capital financing activities	-	-	(496)	(496)	-	-	(150)	(150)
Cash flows from investing activities:								
Proceeds from maturity/sale of investments	4,142	17,944	318	22,404	18,649	15,385	500	34,534
Purchases of investments	(4,761)	(21,947)	(2,072)	(28,780)	(16,135)	(16,737)	(250)	(33,122)
Interest and dividends received on cash and investments	86	118	1	205	230	62	1	293
Net cash (used in) provided by investing activities	(533)	(3,885)	(1,753)	(6,171)	2,744	(1,290)	251	1,705
Net (decrease) increase in cash and cash equivalents	(162,243)	193	663	(161,387)	37,516	(404)	(751)	36,361
Cash and cash equivalents, beginning of year	364,135	244	743	365,122	326,619	648	1,494	328,761
Cash and cash equivalents, end of year	$ 201,892	$ 437	$ 1,406	$ 203,735	$ 364,135	$ 244	$ 743	$ 365,122

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority
Statements of Cash Flows, Continued
For the years ended June 30, 2015 and 2014

	2015				2014			
Reconciliation of operating income (loss) to net cash provided by operating activities:	**Trusteed Funds**	**College Savings Funds**	**Authority Funds**	**Total**	**Trusteed Funds**	**College Savings Funds**	**Authority Funds**	**Total**
Operating income (loss)	$ 14,705	$ 4,836	$ (599)	$ 18,942	$ 10,528	$ 816	$ (861)	$ 10,483
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation expense	-	-	452	452	-	-	580	580
Provision for doubtful educational loan notes receivable	3,603	-	-	3,603	6,406	-	-	6,406
Costs of bond issuance	780	-	-	780	1,780	-	-	1,780
Arbitrage rebate	400	-	-	400	-	-	-	-
Bond interest expense	66,146	-	-	66,146	66,325	-	-	66,325
Changes in assets and liabilities:								
Educational loan notes receivable	(1,638)	-	422	(1,216)	(21,050)	-	592	(20,458)
Interest receivable on educational loan notes	2,926	-	5	2,931	(3,006)	-	14	(2,992)
Accounts payable and accrued expenses	272	(295)	249	226	(171)	(159)	78	(252)
Prepaid expenses and other assets	(266)	(463)	(150)	(879)	(43)	229	-	186
Net cash provided by operating activities	$ 86,928	$ 4,078	$ 379	$ 91,385	$ 60,769	$ 886	$ 403	$ 62,058

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority

Statements of Net Position

June 30, 2015 and 2014

	2015							2014						
Assets	**Issue E Total**	**FRN of 2008**	**Issue H of 2008**	**Issue I Total**	**Issue J Total**	**Issue K Total**	**Trusteed Funds**	**Issue E Total**	**FRN of 2008**	**Issue H of 2008**	**Issue I Total**	**Issue J Total**	**Issue K Total**	**Trusteed Funds**
Current assets														
Cash and cash equivalents (Notes 3 and 4)	$ 33,312	$ 6,778	$ 17,221	$ 75,401	$ 24,464	$ 17,256	$ 174,432	$ 33,658	$ 6,824	$ 15,314	$ 55,620	$ 18,407	$ 8,326	$ 138,149
Investments, at fair value (Notes 3 and 4)	1,020	-	-	-	-	-	1,020	400	-	-	-	-	-	400
Education loan notes receivable, net (Notes 5 and 10)	66,895	11,855	14,023	68,675	20,427	17,973	199,848	70,600	13,524	13,845	57,424	19,139	17,055	191,587
Interest receivable on educational loan notes	695	469	553	11,285	11,149	6,850	31,001	879	566	1,597	14,408	12,563	3,914	33,927
Prepaid expenses and other assets	278	-	1	48	25	18	370	11	7	1	43	26	17	105
Interfund balances	(271)	-	(37)	(275)	-	-	(583)	(267)	7	(37)	(88)	(28)	-	(413)
Total current assets	101,929	19,102	31,761	155,134	56,065	42,097	406,088	105,281	20,928	30,720	127,407	50,107	29,312	363,755
Non-current assets														
Cash and cash equivalents (Notes 3 and 4)	-	754	3,138	14,386	4,899	4,283	27,460	-	754	3,642	208,533	6,675	6,382	225,986
Derivative instruments - caps (Notes 3 and 7)	1,015	-	-	-	-	-	1,015	941	-	-	-	-	-	941
Educational loan notes receivable, net (Notes 5 and 10)	156,752	82,009	85,734	513,967	215,222	214,199	1,267,883	196,051	103,716	103,833	405,310	236,464	232,735	1,278,109
Total assets	$ 259,696	$ 101,865	$ 120,633	$ 683,487	$ 276,186	$ 260,579	$ 1,702,446	$ 302,273	$ 125,398	$ 138,195	$ 741,250	$ 293,246	$ 268,429	$ 1,868,791
Liabilities														
Current liabilities														
Accounts payable and accrued expenses	$ 103	$ 134	$ 37	$ 882	$ 62	$ 60	$ 1,278	$ 273	$ 96	$ 30	$ 395	$ 101	$ 112	$ 1,007
Bonds payable - current portion (Note 6)	500	-	-	31,276	-	2,842	34,618	3,035	-	-	24,218	-	-	27,253
Accrued bond interest payable	3,852	212	3,321	15,190	6,009	5,291	33,875	4,799	260	3,854	12,816	6,430	5,489	33,648
Other liabilities - current (Note 8)	2,916	-	-	-	-	-	2,916	-	-	-	-	-	-	-
Total current liabilities	7,371	346	3,358	47,348	6,071	8,193	72,687	8,107	356	3,884	37,429	6,531	5,601	61,908
Non-current liabilities														
Bonds payable - net of current portion (Note 6)	213,525	95,635	104,585	573,384	247,870	215,232	1,450,231	252,575	118,298	121,385	649,898	265,587	226,369	1,634,112
Other liabilities (Note 8)	-	-	-	-	-	-	-	3,330	-	-	-	-	-	3,330
Total liabilities	220,896	95,981	107,943	620,732	253,941	223,425	1,522,918	264,012	118,654	125,269	687,327	272,118	231,970	1,699,350
Deferred inflows of resources														
Net gain on bond refunding (Notes 3 and 6)	-	-	-	7,391	-	7,969	15,360	-	-	-	9,190	-	8,775	17,965
Hedging instruments (Notes 3 and 7)	96	-	-	-	-	-	96	89	-	-	-	-	-	89
Total deferred inflows of resources	96	-	-	7,391	-	7,969	15,456	89	-	-	9,190	-	8,775	18,054
Total liabilities and deferred inflows of resources	220,992	95,981	107,943	628,123	253,941	231,394	1,538,374	264,101	118,654	125,269	696,517	272,118	240,745	1,717,404
Net position														
Restricted	38,702	5,884	12,690	55,364	22,245	29,185	164,070	38,169	6,744	12,926	44,733	21,128	27,684	151,384
Unrestricted	2	-	-	-	-	-	2	3	-	-	-	-	-	3
Total net position	38,704	5,884	12,690	55,364	22,245	29,185	164,072	38,172	6,744	12,926	44,733	21,128	27,684	151,387
Total liabilities, deferred inflows and net position	$ 259,696	$ 101,865	$ 120,633	$ 683,487	$ 276,186	$ 260,579	$ 1,702,446	$ 302,273	$ 125,398	$ 138,195	$ 741,250	$ 293,246	$ 268,429	$ 1,868,791

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority

Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2015 and 2014

	2015							2014						
Operating revenues	**Issue E Total**	**FRN of 2008**	**Issue H of 2008**	**Issue I Total**	**Issue J Total**	**Issue K Total**	**Trusteed Funds**	**Issue E Total**	**FRN of 2008**	**Issue H of 2008**	**Issue I Total**	**Issue J Total**	**Issue K Total**	**Trusteed Funds**
Interest on education loan notes receivable (Note 3)	$ 12,226	$ 1,607	$ 8,873	$ 38,767	$ 18,463	$ 13,761	$ 93,697	$ 14,513	$ 1,990	$ 10,217	$ 35,018	$ 18,925	$ 10,085	$ 90,748
Loan origination fees	-	-	-	7,805	(1)	17	7,821	-	-	-	11	1,080	6,358	7,449
Total operating revenues	12,226	1,607	8,873	46,572	18,462	13,778	101,518	14,513	1,990	10,217	35,029	20,005	16,443	98,197
Operating expenses														
Bond interest expense (Note 6)	8,467	1,279	6,880	28,134	11,808	9,578	66,146	10,633	1,566	7,984	23,119	12,770	10,253	66,325
Bond insurance	205	-	132	-	-	-	337	244	-	153	-	-	-	397
Costs of bond issuance	-	-	-	780	-	-	780	-	-	-	1,780	-	-	1,780
Provision for doubtful educational loan notes receivable	329	41	182	3,545	(402)	(92)	3,603	1,360	98	244	1,486	917	2,301	6,406
Credit decision fees	-	-	-	882	-	-	882	-	-	-	72	88	683	843
General and administrative (Notes 3, 11, 12, and 13)	3,369	1,140	1,890	2,296	3,076	2,784	14,555	3,855	1,997	1,347	2,097	1,534	670	11,500
Other expense	52	8	26	324	99	1	510	154	14	28	125	32	65	418
Total operating expenses	12,422	2,468	9,110	35,961	14,581	12,271	86,813	16,246	3,675	9,756	28,679	15,341	13,972	87,669
Operating income (loss)	(196)	(861)	(237)	10,611	3,881	1,507	14,705	(1,733)	(1,685)	461	6,350	4,664	2,471	10,528
Non-operating revenues (expenses)														
Gain on bond redemption (Note 15)	130	-	-	-	-	-	130	489	-	-	-	-	-	489
Interest and dividends	68	1	1	13	2	1	86	212	1	1	4	3	7	228
Arbitrage rebate income (Note 3)	400	-	-	-	-	-	400	12	-	-	-	-	-	12
Increase (decrease) in fair value of derivative instruments	67	-	-	-	-	-	67	(554)	-	-	-	-	-	(554)
Net asset transfers	63	-	-	7	(2,766)	(7)	(2,703)	241	-	-	-	-	-	241
Net non-operating revenues (expenses)	728	1	1	20	(2,764)	(6)	(2,020)	400	1	1	4	3	7	416
Total increase (decrease) in net position	532	(860)	(236)	10,631	1,117	1,501	12,685	(1,333)	(1,684)	462	6,354	4,667	2,478	10,944
Net position, beginning of year	38,172	6,744	12,926	44,733	21,128	27,684	151,387	39,505	8,428	12,464	38,379	16,461	25,206	140,443
Net position, end of year	$ 38,704	$ 5,884	$ 12,690	$ 55,364	$ 22,245	$ 29,185	$ 164,072	$ 38,172	$ 6,744	$ 12,926	$ 44,733	$ 21,128	$ 27,684	$ 151,387

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority

Statements of Cash Flows

For the years ended June 30, 2015 and 2014

	2015							2014						
Cash flows from operating activities:	**Issue E Total**	**FRN of 2008**	**Issue H of 2008**	**Issue I Total**	**Issue J Total**	**Issue K Total**	**Trusteed Funds**	**Issue E Total**	**FRN of 2008**	**Issue H of 2008**	**Issue I Total**	**Issue J Total**	**Issue K Total**	**Trusteed Funds**
Payments for disbursed loans	$ -	$ -	$ -	$ (184,891)	$ 10	$ (221)	$ (185,102)	$ -	$ -	$ -	$ (262)	$ (25,866)	$ (150,889)	$ (177,017)
Payments received on outstanding loan principal	42,852	24,085	18,923	79,437	26,984	19,900	212,181	40,984	25,389	16,941	63,752	18,116	13,956	179,138
General & administrative payments	(3,611)	(1,094)	(2,016)	(2,696)	(3,113)	(2,837)	(15,367)	(4,141)	(2,012)	(1,518)	(1,949)	(1,643)	(1,693)	(12,956)
Interest received on education loans	12,180	945	8,709	31,371	13,139	8,872	75,216	14,447	1,118	9,611	29,908	10,821	5,699	71,604
Net cash provided by (used in) operating activities	51,421	23,936	25,616	(76,779)	37,020	25,714	86,928	51,290	24,495	25,034	91,449	1,428	(132,927)	60,769
Cash flows from non-capital financing activities:														
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	-	-	201,234	-	-	201,234
Costs of bond issuance	-	-	-	(780)	-	-	(780)	-	-	-	(1,780)	-	-	(1,780)
Bond interest paid	(9,413)	(1,327)	(7,414)	(29,074)	(12,626)	(10,978)	(70,832)	(11,370)	(1,633)	(8,583)	(27,698)	(13,294)	(5,611)	(68,189)
Principal payments on bonds payable	(41,455)	(22,663)	(16,800)	(67,940)	(17,320)	(7,900)	(174,078)	(30,476)	(24,145)	(18,865)	(75,130)	(8,900)	(1)	(157,517)
Commitment fees refunded to participating schools	(415)	-	-	-	-	-	(415)							-
Net asset transfers	68	7	-	194	(2,795)	(7)	(2,533)	276	(7)	37	88	29	(168)	255
Net cash (used in) provided by non-capital financing activities	(51,215)	(23,983)	(24,214)	(97,600)	(32,741)	(18,885)	(248,638)	(41,570)	(25,785)	(27,411)	96,714	(22,165)	(5,780)	(25,997)
Cash flows from investing activities:														
Proceeds from maturity/sale of investments	4,142	-	-	-	-	-	4,142	18,649	-	-	-	-	-	18,649
Purchases of investments	(4,761)	-	-	-	-	-	(4,761)	(16,135)	-	-	-	-	-	(16,135)
Interest and dividends received on cash and investments	67	1	1	13	2	2	86	215	-	1	4	4	6	230
Net cash provided by (used in) investing activities	(552)	1	1	13	2	2	(533)	2,729	-	1	4	4	6	2,744
Net (decrease) increase in cash and cash equivalents	(346)	(46)	1,403	(174,366)	4,281	6,831	(162,243)	12,449	(1,290)	(2,376)	188,167	(20,733)	(138,701)	37,516
Cash and cash equivalents, beginning of year	33,658	7,578	18,956	264,153	25,082	14,708	364,135	21,209	8,868	21,332	75,986	45,815	153,409	326,619
Cash and cash equivalents, end of year	$ 33,312	$ 7,532	$ 20,359	$ 89,787	$ 29,363	$ 21,539	$ 201,892	$ 33,658	$ 7,578	$ 18,956	$ 264,153	$ 25,082	$ 14,708	$ 364,135

The accompanying notes are an integral part of the financial statements.

Massachusetts Educational Financing Authority
Statements of Cash Flows, Continued
For the years ended June 30, 2015 and 2014

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	**2015**							**2014**						
	Issue E Total	**FRN of 2008**	**Issue H of 2008**	**Issue I Total**	**Issue J Total**	**Issue K Total**	**Trusteed Funds**	**Issue E Total**	**FRN of 2008**	**Issue H of 2008**	**Issue I Total**	**Issue J Total**	**Issue K Total**	**Trusteed Funds**
Operating (loss) income	$ (196)	$ (861)	$ (237)	$ 10,611	$ 3,881	$ 1,507	$ 14,705	$ (1,733)	$ (1,685)	$ 461	$ 6,350	$ 4,664	$ 2,471	$ 10,528
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:														
Provision for doubtful educational loan notes receivable	329	41	182	3,545	(402)	(92)	3,603	1,360	98	244	1,486	917	2,301	6,406
Costs of bond issuance	-	-	-	780	-	-	780	-	-	-	1,780	-	-	1,780
Arbitrage rebate	400	-	-	-	-	-	400	-	-	-	-	-	-	-
Bond interest expense	8,467	1,279	6,880	28,134	11,808	9,578	66,146	10,633	1,566	7,984	23,119	12,770	10,253	66,325
Changes in assets and liabilities:														
Educational loan notes receivable	42,674	23,334	17,740	(123,453)	20,357	17,710	(1,638)	40,939	24,235	13,725	56,437	(12,541)	(143,845)	(21,050)
Interest receivable on educational loan notes	183	98	1,044	3,122	1,414	(2,935)	2,926	133	295	2,638	2,056	(4,360)	(3,768)	(3,006)
Accounts payable and accrued expenses	(169)	39	7	487	(39)	(53)	272	(41)	(13)	(18)	234	(13)	(320)	(171)
Prepaid expenses and other assets	(267)	6	-	(5)	1	(1)	(266)	(1)	(1)	-	(13)	(9)	(19)	(43)
Net cash provided by (used in) operating activities	$ 51,421	$ 23,936	$ 25,616	$ (76,779)	$ 37,020	$ 25,714	$ 86,928	$ 51,290	$ 24,495	$ 25,034	$ 91,449	$ 1,428	$ (132,927)	$ 60,769

The accompanying notes are an integral part of the financial statements.