

NELNET INC
Form 10-Q
November 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from to .

COMMISSION FILE NUMBER 001-31924

NELNET, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA

(State or other jurisdiction of incorporation or
organization)

84-0748903

(I.R.S. Employer Identification No.)

121 SOUTH 13TH STREET

SUITE 100

LINCOLN, NEBRASKA

(Address of principal executive offices)

(402) 458-2370

(Registrant's telephone number, including area code)

68508

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No []

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 31, 2014, there were 34,772,102 and 11,486,932 shares of Class A Common Stock and Class B Common Stock, par value \$0.01 per share, outstanding, respectively (excluding 11,317,364 shares of Class A Common Stock held by wholly owned subsidiaries).

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NELNET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(unaudited)

	As of September 30, 2014	As of December 31, 2013
Assets:		
Student loans receivable (net of allowance for loan losses of \$51,968 and \$55,122, respectively)	\$28,701,344	25,907,589
Cash and cash equivalents:		
Cash and cash equivalents - not held at a related party	32,610	8,537
Cash and cash equivalents - held at a related party	41,969	54,730
Total cash and cash equivalents	74,579	63,267
Investments	147,780	192,040
Restricted cash and investments	867,507	735,123
Restricted cash - due to customers	72,836	167,576
Accrued interest receivable	352,205	314,553
Accounts receivable (net of allowance for doubtful accounts of \$1,842 and \$3,845, respectively)	59,510	56,072
Goodwill	126,200	117,118
Intangible assets, net	42,876	6,132
Property and equipment, net	44,647	33,829
Other assets	141,156	115,043
Fair value of derivative instruments	68,009	62,507
Total assets	\$30,698,649	27,770,849
Liabilities:		
Bonds and notes payable	\$28,737,456	25,955,289
Accrued interest payable	25,221	21,725
Other liabilities	190,765	164,300
Due to customers	72,836	167,576
Fair value of derivative instruments	14,814	17,969
Total liabilities	29,041,092	26,326,859
Commitments and contingencies		
Equity:		
Nelnet, Inc. shareholders' equity:		
Preferred stock, \$0.01 par value. Authorized 50,000,000 shares; no shares issued or outstanding	—	—
Common stock:		
Class A, \$0.01 par value. Authorized 600,000,000 shares; issued and outstanding 34,796,723 shares and 34,881,338 shares, respectively	348	349
Class B, convertible, \$0.01 par value. Authorized 60,000,000 shares; issued and outstanding 11,486,932 shares and 11,495,377 shares, respectively	115	115
Additional paid-in capital	18,150	24,887

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Retained earnings	1,633,577	1,413,492
Accumulated other comprehensive earnings	5,099	4,819
Total Nelnet, Inc. shareholders' equity	1,657,289	1,443,662
Noncontrolling interest	268	328
Total equity	1,657,557	1,443,990
Total liabilities and equity	\$30,698,649	27,770,849
Supplemental information - assets and liabilities of consolidated variable interest entities:		
Student loans receivable	\$28,831,931	26,020,629
Restricted cash and investments	863,960	732,771
Fair value of derivative instruments	(3,427) 36,834
Other assets	351,516	313,748
Bonds and notes payable	(29,084,859) (26,244,222)
Other liabilities	(340,630) (303,142)
Net assets of consolidated variable interest entities	\$618,491	556,618
See accompanying notes to consolidated financial statements.		

NELNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except share data)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Interest income:				
Loan interest	\$ 187,862	158,675	520,224	472,277
Investment interest	1,562	1,562	5,023	4,662
Total interest income	189,424	160,237	525,247	476,939
Interest expense:				
Interest on bonds and notes payable	71,937	55,315	201,176	171,800