

Student Assistance Foundation of Montana and Affiliate

Helena, Montana

**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2024 and 2023

Student Assistance Foundation of Montana and Affiliate

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Student Assistance Foundation of Montana and Affiliate
Helena, Montana

Opinion

We have audited the consolidated financial statements of Student Assistance Foundation of Montana and Affiliate (the Corporation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT

(Continued)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on page 34 through 36 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net assets, and cash flows of the individual companies and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Information Included in the Company's Annual Report

Management is responsible for the other information included in the Corporation's Annual Report. The other information comprises of Management's Financial Analysis on pages 5 through 7, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KCoe Jam, LLP

September 9, 2024
Helena, Montana

MANAGEMENT'S FINANCIAL ANALYSIS

Student Assistance Foundation of Montana and Affiliate

MANAGEMENT'S FINANCIAL ANALYSIS

Years Ended June 30, 2024 and 2023

This section of the Student Assistance Foundation of Montana's (SAF or the Corporation) annual financial report presents our discussion and analysis of the Corporation's financial performance during the years ended June 30, 2024 and 2023. Please read the following in conjunction with the Corporation's consolidated financial statements and accompanying notes.

Overview

SAF was incorporated as a Montana not-for-profit organization in July 1999 to provide support services in the form of student loan servicing and management to Montana Higher Education Student Assistance Corporation (MHESAC) and to provide education, outreach and grants to the citizens of Montana in their pursuit of post-secondary education. Since 1999, SAF has continued to evolve and change in response to economic and political factors. SAF's primary responsibility as a not-for-profit support organization continues to be the support of MHESAC as it continues to evolve. SAF is the Master Servicer and Administrator for MHESAC, both in the Federal Family Education Loan Program (FFELP) as well as its Reach Higher Montana (RHM) initiative.

As a means of expanding beyond its traditional MHESAC support role, SAF provides support services to other organizations under the name of Workmosis, a dba of SAF. In this effort, SAF is using the talents, skill, and professional resources that the existing staff possess to provide services and support to other small businesses, primarily other not-for-profits. The Workmosis business effort has seen growth during the most recent fiscal year and is still expanding the number of clients and developing additional professional services.

During the fiscal year ended June 30, 2021, SAF created a Limited Liability Corporation to acquire and manage a commercial office building in Helena. The company is called Workmosis Power, LLC (WMP) and SAF is the sole member. The purpose of the building was primarily to house SAF and RHM staff and provide the permanent headquarters for SAF, MHESAC, RHM and Workmosis. The building is significantly larger than what is currently needed for existing staff and therefore, WMP, through a contractual management relationship with Workmosis is leasing surplus office space to multiple tenants and is managing a commercial real estate business. This new company is consolidated into the SAF financial statements.

Consolidated Operational Results

Years Ended June 30		2024	2023
Total revenue	\$	5,314,621	\$ 4,597,877
Less:			
Program operating expenses		4,254,897	3,918,158
General and administrative expenses		272,679	220,322
Change in Net Assets	\$	787,045	\$ 459,397

During the year a significant amount of the increase in net assets was generated through investment activity. As required by generally accepted accounting principles, SAF records not only the actual investment income earned and received but also the gains and losses from changes in market value on the investments relative to the original acquisition cost. In FY24, and to a lesser extent in FY23, the bond and equity markets regained significant ground lost due to unfavorable investment markets in FY22.

Student Assistance Foundation of Montana and Affiliate

MANAGEMENT'S FINANCIAL ANALYSIS

Years Ended June 30, 2024 and 2023

(Continued)

The income/(loss) from the investments is recorded as follows:

Years Ended June 30	2024	2023
Interest and investment income received	\$ 795,880	\$ 796,017
Realized gain on sale of investment	95,191	10,659
Investment market value change	1,325,681	447,254
Income reallocated to deferred revenue escrow account	(1,377,500)	(739,440)
Investment advisor fees	(117,908)	(112,212)
Income From Investments	\$ 721,344	\$ 402,278

To see more clearly the result of operations exclusive of investment activity we would need to decrease the change in net assets by \$721,344 in net investment income resulting in an increase in net assets from operations of \$65,701.

The cash flow statement shows a net decrease in cash and cash equivalents of \$327,486. This decrease is attributed to the cash outflow from operating activities. There was a gain from investing activities of \$204,553 that went a long way toward offsetting the operating outflow of \$483,525 and the financing activities of \$48,514. To put these results into context, it is important to read the consolidated financial statements and footnotes following this analysis.

Revenue Generating Activities

SAF remains the contractual manager of MHESAC with responsibility for administering MHESAC's loan portfolio and bonds outstanding. SAF is also the master servicer of MHESAC's loan portfolio with responsibility for monitoring, measuring, and reviewing the servicing that has been placed with Aspire Resources, Inc. as the sub-servicer. Income derived from management and master servicer responsibilities totaled \$2,288,348 in FY24. Additionally, SAF provides the staffing and administrative support for RHM, MHESAC's public benefit arm. SAF earned \$1,568,096 for supporting RHM in FY24.

Rent income received via Workmosis Power, LLC totaled \$535,183, net of intercompany rent. Management has been able to maintain significant occupancy in the space not used by its own companies by bringing in new tenants as space becomes available. On June 30, 2024, the building occupancy was 100%.

SAF, through its Workmosis effort, provided accounting and project services to other organizations along with additional tenant services for which SAF received \$201,650 in income during the year. Workmosis earned \$183,939 in building management and maintenance fees from WMP which is eliminated in the consolidation.

Student Assistance Foundation of Montana and Affiliate

MANAGEMENT'S FINANCIAL ANALYSIS

Years Ended June 30, 2024 and 2023

(Continued)

Staffing Levels and Expertise

At the end of the fiscal year the Corporation had 31 employees equal to 29.4 full-time employees which management considers to be the core staff required at this time.

Of the staff on June 30, 2024, nineteen staff are involved in the business operation which includes management and administration of MHESAC and the MHESAC Indenture; oversight of Aspire, the student loan sub-servicer; system maintenance and security; facilities maintenance; tenant support; strategic planning; accounting; personnel support; and general business maintenance. It also includes staff that are in place to support new SAF business initiatives as they are developed.

An additional staff of twelve was used to administer RHM and deliver the public purpose programs that are now under the guidance and direction of MHESAC.

Liquidity and Capital Resources

Regarding its business relationship with MHESAC, SAF has entered into an escrow agreement to assure that there will be funds sufficient to meet the costs of servicing and managing the MHESAC trust in the future when the cash generated by MHESAC's loan portfolio is no longer sufficient to pay its expenses. On June 30, 2024, the balance of the escrow account was \$17,227,296. Due to legal restrictions about the timing and limited allowable use for this account, SAF regards these cash and investments as restricted assets and reflects an offsetting liability on its balance sheet as deferred income. During FY24, SAF for the first time, was required to tap this escrow account to subsidize a portion of the servicing and management fees on the MHESAC contract.

SAF uses the services of an investment advisory firm to execute the investment strategy put in place in FY19. SAF has three different pools that are invested in equities and fixed income investments, depending on the stated goals of each pool. During FY24 the financial markets continued the recovery begun in FY23 from the volatile investment environment encountered in FY22.

In addition to the investments described above, SAF holds cash in the escrow of \$102,322, the Board-restricted account of \$122,231, SAF operating cash of \$542,146, and tenant security deposits of \$27,978. Management believes that the cash, the investments, and the revenue from the various contracts it has puts SAF in a very positive operational position for future use of these funds consistent with its not-for-profit mission and ongoing operations.

FINANCIAL SECTION

Student Assistance Foundation of Montana and Affiliate
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 542,146	\$ 614,286
Accounts receivable	87,391	40,734
Interest receivable	31,880	26,708
Investments	2,402,799	2,639,461
Prepaid costs - net	167,845	129,863
Total Current Assets	3,232,061	3,451,052
Property and Equipment - at Cost		
Land and building	2,311,630	2,311,630
Building improvements	1,410,915	814,289
Equipment and furniture	537,019	522,523
Subtotals	4,259,564	3,648,442
Less: Accumulated depreciation	725,704	636,607
Subtotals	3,533,860	3,011,835
Leasehold improvements - net	1,229	42,784
Total Property and Equipment	3,535,089	3,054,619
Other Assets		
Cash and cash equivalents held for security deposits	27,978	23,953
Cash and cash equivalents held for other obligations	122,231	125,588
Investments held for other obligations	6,818,114	6,542,848
Total Other Assets	6,968,323	6,692,389
Other Restricted Assets		
Escrow cash and cash equivalents	77,810	358,336
Escrow interest and funds receivable	46,094	50,107
Escrow investments	17,103,392	15,584,034
Total Other Restricted Assets	17,227,296	15,992,477
TOTAL ASSETS	\$ 30,962,769	\$ 29,190,537

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

Student Assistance Foundation of Montana and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Continued)

June 30	2024	2023
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 209,274	\$ 449,493
Funds held in trust	27,991	47,529
Compensated absences liability	484,241	425,602
Current maturities of real estate notes payable	49,994	48,449
Total Current Liabilities	771,500	971,073
Long-Term Liabilities		
Real estate notes payable - net of current maturities	1,519,011	1,569,070
Deferred income	17,227,296	15,992,477
Total Long-Term Liabilities	18,746,307	17,561,547
Total Liabilities	19,517,807	18,532,620
Net Assets		
Without donor restrictions:		
Undesignated	4,486,581	3,975,275
Board-designated reserve for other obligations	6,958,381	6,682,642
Total Net Assets	11,444,962	10,657,917
TOTAL LIABILITIES AND NET ASSETS	\$ 30,962,769	\$ 29,190,537

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

Student Assistance Foundation of Montana and Affiliate
CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Management and servicing fee income	\$ 2,145,667	\$ 2,502,702
Deferred per escrow agreement	(35,778)	(345,623)
Supplement per agreement	178,459	-
Net Management and Servicing Fee Income	2,288,348	2,157,079
Programs delivery and support income	1,568,096	1,352,619
Investment income - net	721,344	402,278
Operating lease income	535,183	556,387
Other income	201,650	129,514
Total Revenue and Support Without Donor Restrictions	5,314,621	4,597,877
Expenses		
Program operating expenses:		
Servicing and management for MHESAC	1,989,600	1,885,828
Delivery and support of RHM	1,484,930	1,281,443
Other services	362,756	318,378
Workmosis Power, LLC	417,611	432,509
Total Program Operating Expenses	4,254,897	3,918,158
Supporting services expenses:		
Management and general	272,679	220,322
Total Expenses	4,527,576	4,138,480
Change in Net Assets	787,045	459,397
Net Assets - Beginning of Year	10,657,917	10,198,520
Net Assets - End of Year	\$ 11,444,962	\$ 10,657,917

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

Student Assistance Foundation of Montana and Affiliate
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024	Program Operating					Supporting Services		Total
	Servicing and Management for MHESAC	Delivery and Support of RHM	Other Services	Workmosis Power, LLC	Total Program Operating	Management and General		
Salaries, payroll taxes and employee benefits	\$ 1,445,498	\$ 1,404,197	\$ 335,335	\$ -	\$ 3,185,030	\$ 187,316	\$ 3,372,346	
Automobile	114	158	10	95	377	47	424	
Board and officer	-	-	-	-	-	9,957	9,957	
Computer charges	83,648	23,425	4,471	3,753	115,297	23,899	139,196	
Contract services and labor	19,024	488	3	72,523	92,038	631	92,669	
Contract sub-servicing fees	283,191	-	-	-	283,191	-	283,191	
Credit loss	-	-	300	856	1,156	-	1,156	
Depreciation	7,835	10,896	723	82,270	101,724	3,259	104,983	
Dues, subscriptions and memberships	4,411	1,002	733	567	6,713	1,081	7,794	
Insurance	21,965	30,544	2,028	31,755	86,292	22,345	108,637	
Interest, building note	-	-	-	55,389	55,389	-	55,389	
Mail, postage and courier	331	78	375	7,038	7,822	110	7,932	
Marketing	-	-	1,493	-	1,493	-	1,493	
Office supplies and copier charges	2,351	2,537	223	8,054	13,165	912	14,077	
Other costs	4,116	1,126	4,714	738	10,694	1,465	12,159	
Printing	92	50	157	89	388	49	437	
Professional services	71,624	1,120	504	950	74,198	6,533	80,731	
Property taxes	-	-	-	13,841	13,841	-	13,841	
Referral fees	-	-	7,835	-	7,835	-	7,835	
Rent	1,618	383	104	-	2,105	535	2,640	
Repairs, maintenance and service	-	-	-	36,749	36,749	-	36,749	
Staff travel and training	15,067	2,405	1,257	3,296	22,025	3,876	25,901	
Telecommunications and utilities	28,715	6,521	2,491	99,648	137,375	10,614	147,989	
Trustee fees	-	-	-	-	-	50	50	
Total Expenses by Function Included in the Expense Section on the Statement of Activities	\$ 1,989,600	\$ 1,484,930	\$ 362,756	\$ 417,611	\$ 4,254,897	\$ 272,679	\$ 4,527,576	

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

Student Assistance Foundation of Montana and Affiliate
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023	Program Operating					Supporting	Total
	Services	Management			Management		
	Management for	Delivery and	Other Services	Workmosis	Total Program	and General	
	MHESAC	Support of RHM		Power, LLC	Operating		
Salaries, payroll taxes and employee benefits	\$ 1,315,448	\$ 1,200,490	\$ 292,122	\$ -	\$ 2,808,060	\$ 138,247	\$ 2,946,307
Automobile	165	222	15	100	502	66	568
Board and officer	-	-	-	-	-	8,968	8,968
Computer charges	85,924	24,006	6,479	4,326	120,735	22,205	142,940
Contract services and labor	13,766	388	2	63,180	77,336	552	77,888
Contract sub-servicing fees	315,568	-	-	-	315,568	-	315,568
Credit loss	-	-	875	981	1,856	-	1,856
Depreciation	9,276	12,521	843	69,326	91,966	3,721	95,687
Dues, subscriptions and memberships	6,515	1,010	604	1,071	9,200	660	9,860
Insurance	21,715	29,310	1,973	30,243	83,241	24,420	107,661
Interest, building note	-	-	-	56,956	56,956	-	56,956
Mail, postage and courier	479	109	361	6,673	7,622	150	7,772
Marketing	-	-	4,005	-	4,005	-	4,005
Office supplies and copier charges	2,505	1,641	384	9,775	14,305	842	15,147
Other costs	10,403	2,565	3,618	570	17,156	3,313	20,469
Printing	76	46	136	-	258	9	267
Professional services	66,568	538	721	-	67,827	4,073	71,900
Property taxes	-	-	-	25,201	25,201	-	25,201
Referral fees	-	-	2,986	-	2,986	-	2,986
Rent	1,649	375	101	-	2,125	515	2,640
Repairs, maintenance and service	-	-	-	40,665	40,665	-	40,665
Staff travel and training	12,105	3,135	748	3,182	19,170	3,142	22,312
Telecommunications and utilities	23,666	5,087	2,405	120,260	151,418	9,139	160,557
Trustee fees	-	-	-	-	-	300	300
Total Expenses by Function Included in the Expense Section on the Statement of Activities	\$ 1,885,828	\$ 1,281,443	\$ 318,378	\$ 432,509	\$ 3,918,158	\$ 220,322	\$ 4,138,480

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

Student Assistance Foundation of Montana and Affiliate
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 787,045	\$ 459,397
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	104,983	95,687
Leasehold improvement amortization	2,984	14,885
Change in investment values - net	(2,257,741)	(1,002,821)
Realized gain on investment	(95,191)	(10,659)
Loss on disposal of leasehold improvements	1,978	-
Change in assets and liabilities:		
(Increase) Decrease in current assets:		
Accounts receivable	(22,145)	(34,583)
Funds due to/from escrow investments	(9,557)	56,535
Interest receivable	(16,112)	(9,250)
Prepaid costs	(37,982)	(1,350)
Increase (Decrease) in current liabilities:		
Accounts payable and accrued expenses	(240,219)	238,600
Compensated absences	58,639	32,598
Deferred client income	1,234,819	1,085,063
Funds held in trust	(19,538)	(52,169)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(508,037)	871,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(627,007)	(718,594)
Purchase of leasehold improvements	(1,702)	(452)
Sale of leasehold improvements	38,293	-
Purchase of investments	(201,000)	(406,000)
Proceeds from sale of investments	995,969	247,813
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	204,553	(877,233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on real estate note payable	(48,514)	(46,809)
Net Change in Cash and Cash Equivalents	(351,998)	(52,109)
Cash and Cash Equivalents - Beginning of Year	1,122,163	1,174,272
Cash and Cash Equivalents - End of Year	\$ 770,165	\$ 1,122,163

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

Student Assistance Foundation of Montana and Affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Continued)

Years Ending June 30	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 55,389	\$ 56,956
CASH AND CASH EQUIVALENTS ARE REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 542,146	\$ 614,286
Cash and cash equivalents held for security deposits	27,978	23,953
Cash and cash equivalents held for other obligations	122,231	125,588
Escrow cash/cash equivalents	77,810	358,336
TOTAL CASH AND CASH EQUIVALENTS	\$ 770,165	\$ 1,122,163

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

Student Assistance Foundation of Montana and Affiliate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation Student Assistance Foundation (herein referred to as SAF or the Corporation) is a Montana not-for-profit corporation incorporated in July of 1999 to provide education finance services to Montana students and support services for student financial aid industry participants. SAF was formed as part of a major restructuring plan adopted by the Montana Higher Education Student Assistance Corporation (MHESAC) Board of Directors in response to changes in the student loan industry and to expand financial aid benefits available to Montana students. As part of this plan, on February 1, 2000, the employees and operating assets of MHESAC were transferred to SAF, and MHESAC contracted with SAF for student loan servicing and management functions. As part of the restructuring of business activity adopted by the SAF Board of Directors on June 30, 2016, SAF began the process of exiting the business of providing student loan servicing. This process culminated with the deconversion of the last loan servicing client in December 2016. SAF remains the Master Servicer of MHESAC's student loan portfolio and has subcontracted the day-to-day servicing responsibility with Aspire Resources, Inc. SAF continues to manage the MHESAC business via the management contract in place.

On July 1, 2016, SAF and MHESAC entered another arrangement where MHESAC would take over the oversight and strategic direction for the public purpose benefit programs previously delivered by SAF. SAF continues to provide the staffing and day-to-day operation of these programs now under a contract with MHESAC. The programs have been rebranded as Reach Higher Montana (RHM) by MHESAC.

SAF underwent a process to explore renaming and rebranding the Corporation in the fiscal year that ended June 30, 2020. To that end, SAF filed a dba with the State of Montana for Workmosis in February 2020. In the future, all operating revenue not directly related to support of MHESAC or RHM will be conducted under the name Workmosis. Workmosis provides administrative services for a variety of not-for-profit organizations as well as providing business and building management for Workmosis Power, LLC.

On November 10, 2020, Workmosis Power, LLC (WMP) was created as a limited liability corporation with SAF as the sole member. WMP is a bankruptcy remote company that was created for the purchase of an office building. SAF advanced WMP \$750,000. On December 18, 2020, WMP purchased the Power Block building in downtown Helena, Montana with a combination of cash and real estate note payable. The Power Block building is a six-story office building built in 1889. Leases in place at the time of the purchase transferred to WMP. SAF moved to the building in May 2021. In 2023, SAF advanced WMP \$362,853 for an energy efficiency upgrade project. In 2024, SAF advanced WMP \$811,200 to complete the energy efficiency upgrade project. On June 30, 2024 and 2023, the building was 100% occupied.

The accompanying consolidated financial statements include the accounts of SAF and WMP. All significant intercompany transactions and accounts have been eliminated.

Basis of Presentation The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB).

Management's Financial Analysis is not required supplemental information under FASB standards. SAF has chosen to present this information and it precedes the consolidated financial statements.

Student Assistance Foundation of Montana and Affiliate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Income Tax Status SAF is a not-for-profit corporation exempt from taxation under Internal Revenue Code Section 501(c)(3). Income derived from administrative and project services performed for non-501(c)(3) companies is considered unrelated business income and is subject to taxation.

WMP is a limited liability company and is a single-member disregarded entity. The net rental income of WMP, to the extent it is debt-financed, is considered unrelated business income and is subject to taxation along with executive services provided to the tenants. After researching the deductibility of allocated expenses to UBI activities, SAF will refile returns to recapture loss carryforward for use to offset future tax liability.

SAF has a deferred tax benefit resulting from unexpired cumulative net operating loss carryforward. A valuation allowance equal to the deferred income tax benefit had been established due to the uncertainty of having taxable future income going forward. The net impact of the deferred income tax benefit and related valuation allowance was not adjusted at year-end, so no balance is reported in the accompanying consolidated financial statements for this activity.

The Corporation recognized \$-0- tax for the years ended June 30, 2024, and 2023. There are no other significant deferred tax assets or liabilities as of June 30, 2024 and 2023.

Accounting Estimates The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reported period.

Classification of Net Assets The Corporation reports information regarding its financial position and activities according to two classes: net assets without donor restrictions and net assets with donor restrictions. The net assets are reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SAF's management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SAF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Corporation had no net assets with donor restrictions at June 30, 2024 and 2023.

Cash and Cash Equivalents Cash and cash equivalents, including restricted cash and cash equivalents and escrow cash and cash equivalents, includes all checking, money market accounts and highly liquid securities with a maturity of three months or less at the date of the purchase.

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Marketing Costs Marketing costs are expensed as incurred and totaled \$1,493 and \$4,005 for the years ended June 30, 2024 and 2023, respectively.

Functional Allocation of Expenses The costs of the Corporation's various programs and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy on a square footage basis; equipment depreciation and indirect expenses on a full-time equivalent basis; and salaries, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated based on estimates of time and effort by departments. Time and effort are based on a combination of time sheet project direct reporting when practical and a percentage estimate that is preassigned to each department and reviewed during forecasting for each business activity including administration.

Accounts Receivable and Allowance for Credit Losses Trade accounts receivable are stated at the amount the company expects to collect. The Corporation maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: past transaction history with customer, current economic industry trends, forecast of future events, and changes in customer situation. Past due balances are reviewed individually for collectability. If the financial condition of the Corporation's customers was to deteriorate, adversely affecting their ability to make payments, allowances would be required.

The Corporation has tracked historical loss information for its trade receivables and compiled a historical credit loss percentage.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at June 30, 2024, because the composition of the trade receivables at that date is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its practices have not changed significantly over time). Management has determined that the current and reasonable and supportable forecasted economic conditions are similar to the economic conditions included in the historical information.

Accounts receivable, subject to the new standard, made up of client services receivable and operating lease receivables as of June 30, 2024 and 2023, were \$18,064 and \$21,280, respectively. Based on management's assessment, it has been determined that the materiality of the calculation of an allowance for credit loss at this time would have no material impact on the statements.

Property and Equipment Equipment is capitalized at cost and depreciated using the straight-line method over estimated lives of 3 to 5 years. Assets acquired with a purchase price of less than \$1,000 are expensed in the year purchased. Building and building improvements are depreciated using the straight-line method over estimated lives of 39 and 10 years, respectively. Depreciation expense was \$104,983 and \$95,687 for the years ended June 30, 2024 and 2023, respectively.

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Leasehold improvements of \$1,702 and \$452 were made as of the year ended June 30, 2024 and 2023, respectively, on leased property. Amortization of these costs over the life of the lease resulted in expenses of \$2,986 and \$14,885 for the years June 30, 2024 and 2023, respectively. Additionally, \$1,978 of leasehold improvements were written off and \$38,293 were sold to WMP in 2024 when the original lease was prematurely terminated, leaving a balance of \$1,229 and \$42,784 in leasehold improvements for the years ended June 30, 2024 and 2023, respectively.

Investments Investment purchases are recorded at cost. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investment return on escrow investments is deferred in accordance with the escrow agreement. All investments are held to maturity.

Prepaid Costs Expenses that are considered to have future benefits are recorded as prepaid assets. Prepaid costs are amortized over the periods benefited. Implementation costs of a cloud computing arrangement are included in prepaid costs. SAF has a cloud computing arrangement for its accounting software. Implementation costs were incurred with the cloud servicer for the creation and setup of WMP.

The WMP cloud setup amortization was \$588 and \$959 for the years ended June 30, 2024 and 2023, respectively.

Revenue and Revenue Recognition Revenue for contracts related to management and servicing fees along with programs delivery and support are recognized monthly as expenses are incurred. The revenue varies over time due to the cost-plus nature of the contracts. Performance obligations, which mainly revolve around day-to-day management, are satisfied on an ongoing basis. These contracts are described further in Note 8.

Project services revenue and administrative services revenue are recognized as services provided on a monthly basis.

New Accounting Standards The Corporation adopted the following FASB Accounting Standards Update (ASU) in fiscal year 2024:

FASB ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326). This accounting standard can significantly change how credit losses are measured. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Corporation that are subject to the guidance in this standard are client services receivable and rent receivables, both of which are reported in Accounts Receivable on the Consolidated Statements of Financial Position and make up \$18,064 of the Accounts Receivable balance in FY2024. It has been determined that the materiality of the calculation of an allowance for credit loss at this time would have no material impact on the statements. Management will evaluate this on an annual basis to determine if it could have a material impact. Management adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and resulted in a new disclosure only.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Evaluation of Subsequent Events Management has evaluated subsequent events through September 9, 2024, the date the consolidated financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the date of the consolidated statements of financial position, comprise the following:

June 30	2024	2023
Cash and cash equivalents	\$ 542,146	\$ 614,286
Accounts receivable	87,391	40,734
Investments	2,402,799	2,639,461
Interest receivable	31,880	26,708
Cash held for other obligations	122,231	125,588
Investments held for other obligations	6,818,114	6,542,848
Totals	\$ 10,004,561	\$ 9,989,625

The cash and investments held for other obligations are board designated. The board can release these funds for current year liquidity as other obligations are defined, including future business efforts identified through strategic planning. Of the total assets for the Corporation, 88% are financial assets. Of the financial assets, 37% are available to fund the current year operations.

As part of SAF's liquidity management plan, it has a policy to structure its assets to be available to meet the cash needs for general expenditures, liabilities, and other obligations as they come due. SAF invests cash in excess of daily requirements in a money-market sweep account.

An investment policy is in place, and an investment committee is active. The committee uses an investment advisor to invest excess funds to meet the current financial needs of the Corporation and plan for future endeavors. Excess cash beyond current needs is in investments including U.S. Government obligations, corporate bonds, equity stocks, exchange traded funds, equity funds, and real estate investment trusts.

The majority of SAF's operating funds are received in advance from its primary client, MHESAC, for services to be provided monthly. Management and loan servicing are reimbursed on a cost plus 15% basis except for servicing fees, which are reimbursed at cost. Program delivery and administration are reimbursed on a cost plus 5% basis. This arrangement allows SAF to meet its operating expenses with the current inflow of cash and reduce the use of funds accumulated from prior years.

SAF routinely forecasts 12 months in advance and monitors its liquidity quarterly as it completes each quarterly update of the rolling forecast.

Student Assistance Foundation of Montana and Affiliate

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3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits. SAF maintains cash deposits at four financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing accounts and noninterest-bearing accounts.

At June 30, 2024, the carrying amount of those deposits was \$794,377 and the bank balance was \$855,778 with \$173,474 in excess of FDIC insured limits. At June 30, 2023, the carrying amount of those deposits was \$1,121,864 and the bank balance was \$1,137,648 with \$445,456 in excess of FDIC insured limits.

4. FAIR VALUE MEASUREMENTS

The Corporation follows the guidance established for measuring fair value under GAAP and related disclosure requirements. Fair value is defined by GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date in the principal or most advantageous market for the specific asset or liability.

Fair value measurement assumes the highest and best use of the asset by market participants and requires valuation techniques that maximize use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy prioritizes valuation input into three broad levels.

Level 1: Quoted prices in active markets for identical assets or liabilities to which the Corporation has access at the measurement date.

Level 2: Significant observable inputs other than Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or inputs other than quoted prices that are observable or can be corroborated by observable market data. This level input must be observable for substantially the full term of the assets or liabilities.

Level 3: Significant unobservable inputs for situations in which there is little, if any, market activity.

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A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the methodologies used at June 30, 2024, and there were no transfers between levels.

Common Stocks and Real Estate Investment Trusts: Valued at the closing price on the active market in which the individual securities are traded.

Mutual and Exchange-Traded Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by SAF are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Corporation are deemed to be actively traded.

Corporate and Government Obligations: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on current yields of comparable securities of issuers with similar credit ratings.

A significant portion of the investment assets are classified within level 1 because they are comprised of equity stocks, exchange traded and equity funds, and real estate investment trusts with readily determinable fair values based on daily market transactions. SAF invests in U.S. government obligations and corporate bonds that are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within level 2.

Investments are made by investment managers whose performance is monitored by SAF and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, SAF and the investment committee believe that the investment policy and guidelines are prudent for the long-term welfare of the Corporation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The Corporation had investments consisting of the following:

June 30, 2024	Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Short-Term Investments			
U.S. Government obligations	\$ 539,816	\$ -	\$ 539,816
Corporate bonds	615,992	-	615,992
Equity stocks	644,271	644,271	-
Exchange-traded funds	485,058	485,058	-
Equity funds	99,875	99,875	-
Real estate investment trusts	17,787	17,787	-
Total Short-Term Investments	2,402,799	1,246,991	1,155,808
Investments Held for Other Obligations			
U.S. Government obligations	677,250	-	677,250
Corporate bonds	796,843	-	796,843
Equity stocks	3,856,105	3,856,105	-
Exchange-traded funds	706,816	706,816	-
Equity funds	672,080	672,080	-
Real estate investment trusts	109,020	109,020	-
Total Investments Held for Other Obligations	6,818,114	5,344,021	1,474,093
Escrow Investments			
U.S. Government obligations	1,686,859	-	1,686,859
Corporate bonds	1,979,146	-	1,979,146
Equity stocks	9,811,035	9,811,035	-
Exchange-traded funds	1,725,448	1,725,448	-
Equity funds	1,636,026	1,636,026	-
Real estate investment trusts	264,878	264,878	-
Total Escrow Investments	17,103,392	13,437,387	3,666,005
Total Investments	\$ 26,324,305	\$ 20,028,399	\$ 6,295,906

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June 30, 2023	Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Short-Term Investments			
U.S. Government obligations	\$ 439,210	\$ -	\$ 439,210
Corporate bonds	616,744	-	616,744
Equity stocks	830,614	830,614	-
Exchange-traded funds	605,194	605,194	-
Equity funds	122,689	122,689	-
Real estate investment trusts	25,010	25,010	-
Total Short-Term Investments	2,639,461	1,583,507	1,055,954
Investments Held for Other Obligations			
U.S. Government obligations	544,555	-	544,555
Corporate bonds	640,247	-	640,247
Equity stocks	3,712,253	3,712,253	-
Exchange-traded funds	750,084	750,084	-
Equity funds	788,851	788,851	-
Real estate investment trusts	106,858	106,858	-
Total Investments Held for Other Obligations	6,542,848	5,358,046	1,184,802
Escrow Investments			
U.S. Government obligations	1,307,793	-	1,307,793
Corporate bonds	1,591,771	-	1,591,771
Equity stocks	8,802,093	8,802,093	-
Exchange-traded funds	1,771,108	1,771,108	-
Equity funds	1,861,931	1,861,931	-
Real estate investment trusts	249,338	249,338	-
Total Escrow Investments	15,584,034	12,684,470	2,899,564
Total Investments	\$ 24,766,343	\$ 19,626,023	\$ 5,140,320

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Components of investment income include the following:

June 30	2024	2023
Interest and investment income	\$ 795,880	\$ 796,017
Realized gain on sale of investments	95,191	10,659
Unrealized market value change of investments	1,325,681	447,254
Investment expenses	(117,908)	(112,212)
Investment income (loss) on escrow to deferred revenue - net	(1,377,500)	(739,440)
Income From Investments	\$ 721,344	\$ 402,278

Maturities on bond investments were as follows:

June 30, 2024	Market Value
Due in one year or less	\$ 153,420
Due after one year through five years	3,078,541
Due after five years through ten years	1,638,356
Due after ten years through twenty years	1,108,044
Due after twenty years	317,545
Total	\$ 6,295,906

The realized gain on sale of investments represents the difference between the carrying amount at the beginning of the reporting period, or the transaction price if purchased in the current period, and its settlement price. For the fiscal years ended June 30, 2024 and 2023, the realized gain was \$95,191 and \$10,659, respectively. The unrealized market value change calculates the difference between the carrying amount at the beginning of the period, or the transaction price if purchased in the current period, and its carrying amount at the end of the reporting period. For the fiscal years ended June 30, 2024 and 2023, the unrealized market value change was \$1,325,681 and \$447,254, respectively.

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5. LONG-TERM DEBT

Long-term debt consisted of the following:

June 30	2024	2023
Note payable to Valley Bank for WMP building, bearing interest at the rate of 3.47% for the first 120 payments payable in monthly installments of \$8,638 and a rate to be reset based on the ten-year rate plus 3.00% for the remaining 180 payments in installments necessary to satisfy the loan by its scheduled maturity; secured by real property, rents from the building and a guarantee by SAF.	\$ 1,569,005	\$ 1,617,519
Less: Current maturities	(49,994)	(48,449)
Total Long-Term Notes Payable	\$ 1,519,011	\$ 1,569,070

Future maturity requirements of long-term debt for the five years subsequent to June 30, 2024, and thereafter are as follows:

Years Ending June 30	
2025	\$ 49,994
2026	51,756
2027	53,581
2028	55,338
2029	57,421
Thereafter	1,300,915
Total Future Maturities	\$ 1,569,005

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6. LEASES

Lessee

SAF had two operating leases. One was a two-year mail equipment lease which is below the capitalization amount of \$1,000. The lease payments for this equipment are expensed to mail, postage and courier. This lease began in December 2021, and ended December 2023. It was not renewed.

The second lease was for office space with WMP and the payments for this lease along with the Right-of-Use (ROU) Asset and offsetting Operating Lease Liability are eliminated in the consolidation. The office lease began May 1, 2021, and terminated prematurely August 31, 2023, when SAF moved into different office space with WMP. A new lease with WMP began September 1, 2023, and terminates August 31, 2026. The payments for this lease along with the Right-of-Use (ROU) Asset and offsetting Operating Lease Liability are eliminated in the consolidation. Total lease payments eliminated for the fiscal years ended June 30, 2024 and 2023, were \$58,304 and \$47,474, respectively. The ROU Asset and offsetting Operating Lease Liability eliminated in the year ended June 30, 2024, were \$125,059. The ROU Asset and offsetting Operating Lease Liability eliminated in the year ended June 30, 2023, were \$117,385.

The monthly lease payment at the start of the new lease is \$5,000 with a provision for cost of living (CPI) increases which are determined annually. The CPI increases are not considered in the calculation of the ROU asset or the Operating Lease Liability because they are unknown. Due to the CPI not being known at the start of the lease, the ROU Asset and Operating Lease Liability do not reflect this increase. This change is only reflected as an increase to the operating lease expense.

A discount rate is used in the calculation of the ROU Asset. The rate used equals the financing rate for the purchase of the building, 3.47%.

The future lease payments under the operating lease with a remaining term more than one year are as follows:

Years Ending June 30		Original Leases
2025	\$	60,000
2026		60,000
2027		10,000
Total		130,000
Less: Discount applied		4,941
Operating Lease Liability	\$	125,059

The total operating ROU Asset and obligation under operating lease liability were eliminated during consolidation.

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Lessor

With the purchase of the Power Block Building by WMP on December 18, 2021, 34 leases were transferred to WMP. WMP had 42 leases and 39 leases for years ending as of June 30, 2024 and 2023, respectively. These are all operating leases. Total operating lease income as of June 30, 2024 and 2023, was \$535,183 and \$556,387, respectively, after elimination of SAF's operating lease in the consolidating adjustments.

As of June 30, 2024, the future operating lease payments to be received under the leases in place, with the SAF amount listed separately as a related party, are as follows:

Years Ending June 30	Unrelated		Related	
2025	\$	297,725	\$	60,000
2026	\$	146,105	\$	60,000
2027	\$	33,186	\$	10,000

For both lessee and lessor transactions, significant assumptions and judgments are used in determining whether a contract contains a lease and the allocation of any consideration in a contract between lease and non-lease components. There is no consideration in the current leases.

7. RETIREMENT PLAN

The Corporation maintains a retirement vehicle for employees, the Student Assistance Foundation of Montana 401(k) Plan (the 401(k) plan). The 401(k) plan is a defined contribution plan and covers all employees working at least 20 hours per week. Employees may contribute to the 401(k) plan immediately upon employment. After a six-month waiting period, the Corporation matches each participant's contribution up to six percent of the participant's salary.

SAF incurred retirement costs of \$141,984 and \$128,080 in the years ended June 30, 2024 and 2023, respectively.

8. COMMITMENTS AND CONTINGENCIES

Management and Servicing Agreements

SAF has entered into management and servicing agreements with MHESAC. SAF provides portfolio master servicing for a term equal to the life of each of MHESAC's related financings. As part of the restructuring of business activity adopted by the SAF Board on July 1, 2016, SAF has exited the business of providing the day-to-day student loan servicing and has subcontracted MHESAC servicing with Aspire Resources, Inc. SAF continues to manage the MHESAC business via the management contract in place.

The cost of these services is an amount equal to the allocable cost incurred by SAF in performing its duties and obligations under the agreements plus fifteen percent of these costs subject to certain minimums and maximums at different periods over the life of the contract.

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By contract, the fees are payable in advance for each month. Therefore, an estimate is made of anticipated cost levels and SAF bills MHESAC on that basis with a final adjustment to the advance billing based on actual expenses incurred.

During the years ended June 30, 2024 and 2023, SAF billed MHESAC \$2,139,187 and \$2,504,075 respectively. At June 30, 2024 and 2023, the reconciliation for billed and actual management and servicing fees resulted in a balance payable to MHESAC of \$43,241 and \$11,394, respectively.

Escrow Agreement

SAF has entered into an escrow agreement with MHESAC to assure there will be sufficient funds to pay future monthly management and servicing fees. An escrow account was established for the purpose of receiving and holding escrow property. Ascent Bank serves as the escrow agent and is authorized and directed to hold and forward escrow property to be invested in an independent investment account.

All interest and other earnings on the escrow property were deposited in the escrow account.

Deposits made monthly into the escrow account represent the amount, if any, by which the monthly billing to MHESAC (at 60 basis points annually of the outstanding student loan portfolio) exceeds the actual allocated costs of SAF in performing its duties and obligations under the contracts for management and master servicing.

In September 2016, an initial deposit from MHESAC of \$4,976,034 was made into the escrow account. The deposit was a calculated amount based on cash flow projections from the MHESAC Indenture. The amount represents an initial balance that, when added to expected increases to the escrow in the coming years, would ensure sufficient funds to pay for servicing and management in future years when the MHESAC portfolio has amortized to the point where it no longer produces sufficient cash to cover its servicing and management obligations. In February 2024, SAF began making supplemental draws from the escrow account.

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Additions to the escrow are from amounts collected from MHESAC in excess of the monthly fees as specified in the management and servicing contract. Draws from the escrow are taken if the amount collected from MHESAC does not fully cover the management and servicing fees per the contract. Following is a summary of the changes in the SAF escrow:

June 30	2024	2023
Interest and investment income	\$ 504,238	\$ 497,338
Realized (Loss) gain on sale of investments	25,935	(30,751)
Unrealized market value change of investments	925,396	345,865
Investment expenses	(78,069)	(73,012)
Investment Income - Net	1,377,500	739,440
Escrow - Beginning Balance	15,992,477	14,907,414
Net Addition/(Draw) to/(from) escrow in excess of monthly management and servicing fees	(142,681)	345,623
Escrow - Fair Value - Ending Balance	\$ 17,227,296	\$ 15,992,477

A summary of the escrow balance between the contractual additions and subtractions based on the management and servicing fees per the contract plus net investment income over the life of the agreement is as follows:

June 30	2024	2023
Escrow Balance - Principal	\$ 12,874,931	\$ 13,017,612
Investment income - net of bank fee	4,352,365	2,974,865
Escrow - Fair Value Total	\$ 17,227,296	\$ 15,992,477

During the years ended June 30, 2024 and 2023, there was an offsetting deferred income amount with a fair value balance of \$17,227,296 and \$15,992,477, respectively.

Management and Support Agreement

On July 1, 2016, SAF entered into a management and support agreement with MHESAC for the MHESAC public purpose initiatives that have been branded as RHM. SAF will provide management services for MHESAC's RHM Initiative and will arrange and perform the delivery of the programs under the initiative.

The cost of these services to deliver the programs is an amount equal to the allocable cost incurred by SAF in performing its duties and obligations under the agreement plus a mark-up of five percent of these costs.

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During the year ended June 30, 2024, SAF billed MHESAC \$380,595 for management services and \$1,202,124 for program delivery. During the year ended June 30, 2023, SAF billed MHESAC \$322,892 for management services and \$1,025,575 for program delivery of the RHM initiatives. On June 30, 2024 and 2023, the reconciliation for billed and actual management and program delivery resulted in a receivable from MHESAC of \$85,231 and \$28,933, respectively.

Group Benefits Plan

SAF provides medical, dental, vision and life insurance coverage for its employees. Effective July 1, 2018, SAF opted for a level pay plan of medical coverage with Cigna. Effective July 1, 2016, SAF chose dental, vision, and life insurance plans with Guardian. Both plans were still in place on June 30, 2024.

Unemployment

SAF is a reimbursable employer and reimburses the Montana Unemployment Insurance Division for terminated staff who qualify for unemployment benefits. Terminated staff who qualify for unemployment may be eligible for up to 28 weeks of benefits. The look back period for benefits is one year. During the years ended June 30, 2024 and 2023, SAF incurred \$-0- in unemployment benefit charges each year.

Remote Services Agreement

On February 1, 2001, SAF entered into an agreement with the Pennsylvania Higher Education Assistance Agency (PHEAA) for remote system access for the effective computer processing of loans serviced by SAF. The agreement required PHEAA to maintain the remote system in accordance with Title IV of the Higher Education Act of 1965, as amended.

PHEAA continues to act as the back-up third-party servicer for certain loans based on an agreement originally dated November 9, 2011, and renewed in July 2017.

9. RELATED-PARTY TRANSACTIONS

SAF Relationship with MHESAC

On February 1, 2000, SAF entered into an agreement with MHESAC to provide management and servicing functions to MHESAC as described in Note 8. Additionally, on July 1, 2016, SAF entered into an agreement with MHESAC to provide staffing and operational services to RHM, a division of MHESAC. During fiscal year 2024 and 2023, SAF had two of its five board members in common with MHESAC's eight board members.

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(Continued)

10. RISK MANAGEMENT

SAF faces several risks of loss, including a) damage to and loss of property, b) employee torts, c) professional liability, i.e. errors and omissions, and d) workers' compensation. A variety of methods are used to provide insurance for these risks. Commercial policies transferring all risks of loss except for relatively small deductible amounts are purchased for property damage, employee torts, and professional liabilities. SAF participates in a state-wide workers' compensation plan.

11. MAJOR CUSTOMER

Fees from MHESAC accounted for 73% and 77% of SAF's total revenues for the years ended June 30, 2024, and 2023, respectively. There was \$44,407 and \$19,437 net receivable from MHESAC outstanding at June 30, 2024 and 2023, respectively.

SUPPLEMENTARY INFORMATION SECTION

Student Assistance Foundation of Montana and Affiliate

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30	Student Assistance Foundation	Workmosis Power, LLC	Consolidating Adjustments	Comparative Totals	
				2024	2023
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 376,495	\$ 165,651	\$ -	\$ 542,146	\$ 614,286
Accounts receivable:					
Workmosis Power	11,868	-	(11,868)	-	-
Funds due from escrow fund	24,512	-	-	24,512	-
Client and other receivables	61,931	948	-	62,879	40,734
Interest receivable	31,880	-	-	31,880	26,708
Advance to subsidiary	1,924,053	-	(1,924,053)	-	-
Investments	2,402,799	-	-	2,402,799	2,639,461
Prepaid costs - net	148,828	19,017	-	167,845	129,863
Total Current Assets	4,982,366	185,616	(1,935,921)	3,232,061	3,451,052
Property and Equipment - at Cost					
Land and building	-	2,311,630	-	2,311,630	2,311,630
Building improvements	-	1,410,915	-	1,410,915	814,289
Equipment and furniture	526,190	10,829	-	537,019	522,523
Subtotals	526,190	3,733,374	-	4,259,564	3,648,442
Less: Accumulated depreciation	481,449	244,255	-	725,704	636,607
Subtotals	44,741	3,489,119	-	3,533,860	3,011,835
Operating lease right-of-use asset	125,059	-	(125,059)	-	-
Leasehold improvements - net	1,229	-	-	1,229	42,784
Total Property and Equipment	171,029	3,489,119	(125,059)	3,535,089	3,054,619
Other Assets					
Cash and cash equivalents held for security deposits	-	27,978	-	27,978	23,953
Cash and cash equivalents held for other obligations	122,231	-	-	122,231	125,588
Investments held for other obligations	6,818,114	-	-	6,818,114	6,542,848
Total Other Assets	6,940,345	27,978	-	6,968,323	6,692,389
Other Restricted Assets					
Escrow cash/cash equivalents	102,322	-	-	102,322	358,336
Escrow funds due to general fund	(24,512)	-	-	(24,512)	-
Escrow interest and funds receivable	46,094	-	-	46,094	50,107
Escrow investments	17,103,392	-	-	17,103,392	15,584,034
Total Other Restricted Assets	17,227,296	-	-	17,227,296	15,992,477
TOTAL ASSETS	\$ 29,321,036	\$ 3,702,713	\$ (2,060,980)	\$ 30,962,769	\$ 29,190,537

Student Assistance Foundation of Montana and Affiliate
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
(Continued)

June 30	Student Assistance Foundation	Workmosis Power, LLC	Consolidating Adjustments	Comparative Totals	
				2024	2023
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	\$ 134,473	\$ 86,669	\$ (11,868)	\$ 209,274	\$ 449,493
Funds held in trust	-	27,991	-	27,991	47,529
Compensated absences liability	484,241	-	-	484,241	425,602
Advance from parent company	-	1,924,053	(1,924,053)	-	-
Current maturities under operating lease	56,554	-	(56,554)	-	-
Current maturities of real estate notes payable	-	49,994	-	49,994	48,449
Total Current Liabilities	675,268	2,088,707	(1,992,475)	771,500	971,073
Long-Term Liabilities					
Obligation under operating lease - net of current maturities	68,505	-	(68,505)	-	-
Real estate notes payables - net of current maturities	-	1,519,011	-	1,519,011	1,569,070
Deferred income	17,227,296	-	-	17,227,296	15,992,477
Total Long-Term Liabilities	17,295,801	1,519,011	(68,505)	18,746,307	17,561,547
Total Liabilities	17,971,069	3,607,718	(2,060,980)	19,517,807	18,532,620
Net Assets					
Without donor restrictions:					
Undesignated	4,391,586	94,995	-	4,486,581	3,975,275
Board-designated reserve for other obligations	6,958,381	-	-	6,958,381	6,682,642
Total Net Assets	11,349,967	94,995	-	11,444,962	10,657,917
TOTAL LIABILITIES AND NET ASSETS	\$ 29,321,036	\$ 3,702,713	\$ (2,060,980)	\$ 30,962,769	\$ 29,190,537

Student Assistance Foundation of Montana and Affiliate

CONSOLIDATING SCHEDULE OF ACTIVITIES

Years Ended June 30	Student Assistance Foundation	Workmosis Power, LLC	Consolidating Adjustments	Comparative Totals	
				2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Revenue and Support					
Management and servicing fee income	\$ 2,145,667	\$ -	\$ -	\$ 2,145,667	\$ 2,502,702
Deferred per escrow agreement	(35,778)	-	-	(35,778)	(345,623)
Supplement per agreement	178,459	-	-	178,459	-
Net Management and Servicing Fee Income	2,288,348	-	-	2,288,348	2,157,079
Programs delivery and support income	1,568,096	-	-	1,568,096	1,352,619
Building management and maintenance income	183,939	-	(183,939)	-	-
Investment income - net	721,338	6	-	721,344	402,278
Operating lease income	-	593,487	(58,304)	535,183	556,387
Other income	170,050	32,012	(412)	201,650	129,514
Total Revenue and Support Without Donor Restrictions	4,931,771	625,505	(242,655)	5,314,621	4,597,877
Expenses					
Program operating expenses:					
Servicing and management for MHESAC	2,025,501	-	(35,901)	1,989,600	1,885,828
Delivery and support of RHM	1,493,424	-	(8,494)	1,484,930	1,281,443
Other services	365,201	-	(2,445)	362,756	318,378
Workmosis Power, LLC	-	601,550	(183,939)	417,611	432,509
Total Program Operating Expenses	3,884,126	601,550	(230,779)	4,254,897	3,918,158
Supporting Services Expense:					
Management and general	284,555	-	(11,876)	272,679	220,322
Total Expenses	4,168,681	601,550	(242,655)	4,527,576	4,138,480
Change in Net Assets	763,090	23,955	-	787,045	459,397
Net Assets - Beginning of Year	10,586,877	71,040	-	10,657,917	10,198,520
Net Assets - End of Year	\$ 11,349,967	\$ 94,995	\$ -	\$ 11,444,962	\$ 10,657,917