Student Assistance Foundation of Montana and Affiliate

Helena, Montana

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITORS' REPORT

June 30, 2023

Student Assistance Foundation of Montana and Affiliate
TABLE OF CONTENTS
June 30, 2023 and 2022

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Student Assistance Foundation of Montana and Affiliate (the Corporation) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2023 and 2022, 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. 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 audit. 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 these 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 consolidating schedules on pages 31 through 33 are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. 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 it does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 Isom, LLP

September 14, 2023
Helena, Montana

MANAGEMENT’S FINANCIAL ANALYSIS

This section of the Student Assistance Foundation of Montana (SAF or the Corporation) annual financial report presents our discussion and analysis of the Corporation's financial performance during the years ended June 30, 2023 and 2022. 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 but is still in the initial stages of development.

During the fiscal year ended June 30, 2021, SAF created a new Limited Liability Corporation to acquire and manage a commercial office building in Helena. The new 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 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

For the Years Ended June 30		2023		2022
Total revenue	$	4,597,877	$	3,281,336
Less:				
Program operating expenses		3,918,158		3,766,996
General and administrative expenses		220,322		227,730
Change in Net Assets	$	459,397	$	(713,390)

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 a turnaround from FY22, the bond and equity markets regained significant ground during FY23. Conversely, during FY22, both the bond and equity markets had downturns as a whole resulting in a decrease in net assets.

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

Years Ended June 30	2023	2022
Interest and investment income received	$ 796,017	$ 924,780
Realized gain on sale of investment	10,659	866,867
Investment market value change	447,254	(3,576,046)
Income reallocated to deferred revenue escrow account	(739,440)	1,143,033
Investment advisor fees	(112,212)	(117,583)
Net Investment Loss	$ 402,278	$ (758,949)

In order to see more clearly the result of operations exclusive of investment activity we would need to decrease the change in net assets by $402,278 in net investment income resulting in an increase in net assets from operations of $57,119.

The cash flow statement shows a net decrease in cash and cash equivalents of $52,109. This decrease is attributed to the cash outflow from investing and financing activities. There was a gain from operating activities of $871,933 that went a long way toward offsetting the investing outflow of $877,233 and the financing activities of $46,809. To put these results into context, it is important to read the 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 $2,157,079. Additionally, SAF provides the staffing and administrative support for RHM, MHESAC's public benefit arm. SAF earned $1,352,619 for supporting RHM.

Rent income received via Workmosis Power, LLC totaled $556,387, 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. At June 30, 2023, 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 $129,514 in income during the year. Workmosis earned $183,570 in building management and maintenance fees from WMP which is eliminated in the consolidation.

STAFFING LEVELS AND EXPERTISE

At the end of the fiscal year, the Corporation had 30 employees equal to 27.38 FTE which management considers to be the core staff required at this time.

Of the staff on June 30, 2023, 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 eleven 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. At June 30, 2023, the balance of the escrow account was $15,992,477. 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. This escrow account will continue to grow each year until 2024, which is when it is projected it will be necessary to subsidize the MHESAC servicing and management expense.

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. The first pool of funds is a short-term operations pool that is intended to be invested in secure, fixed income investments. The purpose of the pool is for investment in future business efforts and in the past year has been used to invest in a major energy efficiency project in the office building owned by Workmosis Power, LLC. The second pool of funds is a long-term investment pool that is set aside as Board-directed funds. These funds are long-term in nature and are therefore invested more heavily in equities, as well as some fixed-income instruments. The third pool of funds is the long-term pool that is designated by the escrow agreement between SAF and MHESAC as described above. It is anticipated that these funds will not be drawn on until 2024 and are therefore invested for a longer term in higher yielding assets such as equities as well as a balancing investment in fixed-income instruments.

During FY23 the financial markets continued to experience significant volatility and much of the unrealized loss experienced in FY22 was recouped.

In addition to the investments described above, SAF holds cash in the escrow of $358,336, the Board-restricted account of $125,588, SAF operating cash of $614,286, and tenant security deposits of $23,953. 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.

CONSOLIDATED FINANCIAL SECTION

Student Assistance Foundation of Montana and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 614,286	$ 880,042
Accounts receivable	40,734	6,151
Interest receivable	26,708	24,342
Investments	2,639,461	2,716,179
Prepaid costs, net	129,863	128,513
Total Current Assets	3,451,052	3,755,227
Property and Equipment, at cost		
Land and building	2,311,630	2,311,630
Building improvements	814,289	108,430
Equipment and furniture	522,523	514,467
Subtotals	3,648,442	2,934,527
Less: Accumulated depreciation	636,607	545,599
Subtotals	3,011,835	2,388,928
Leasehold improvements, net	42,784	57,217
Total Property and Equipment	3,054,619	2,446,145
Other Assets		
Cash and cash equivalents held for security deposits	23,953	24,066
Cash and cash equivalents held for other obligations	125,588	191,405
Investments held for other obligations	6,542,848	6,149,600
Total Other Assets	6,692,389	6,365,071
Other Restricted Assets		
Escrow cash and cash equivalents	358,336	78,759
Escrow interest and funds receivable	50,107	99,759
Escrow investments	15,584,034	14,728,896
Total Other Restricted Assets	15,992,477	14,907,414
TOTAL ASSETS	$ 29,190,537	$ 27,473,857

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		2023		2022
LIABILITIES AND NET ASSETS				
Current Liabilities				
Other accounts payable and accrued expenses	$	449,493	$	210,893
Funds held in trust		47,529		99,698
Compensated absences liability		425,602		393,004
Current maturities of real estate notes payable		48,449		47,123
Total Current Liabilities		971,073		750,718
Long-Term Liabilities				
Real estate notes payable, net of current maturities		1,569,070		1,617,205
Deferred income		15,992,477		14,907,414
Total Long-Term Liabilities		17,561,547		16,524,619
Total Liabilities		18,532,620		17,275,337
Net Assets				
Without Donor Restrictions				
Undesignated		3,975,275		3,846,674
Board-designated reserve for other obligations		6,682,642		6,351,846
Total Net Assets		10,657,917		10,198,520
TOTAL LIABILITIES AND NET ASSETS	$	29,190,537	$	27,473,857

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	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Management and servicing fee income	$ 2,502,702	$ 2,990,121
Deferred per escrow agreement	(345,623)	(905,289)
Net Management and Servicing Fee Income	2,157,079	2,084,832
Programs delivery and support income	1,352,619	1,358,702
Income from investments		
Investment (loss) income, net	402,278	(758,949)
Operating lease income	556,387	527,959
Loss on disposal of fixed assets	-	(1,287)
Other income	129,514	70,079
Total Revenue and Support Without Donor Restrictions	4,597,877	3,281,336
Expenses		
Program Operating Expenses:		
Servicing and management for MHESAC	1,885,828	1,830,261
Delivery and support of RHM	1,281,443	1,286,747
Other services	318,378	234,703
Workmosis Power, LLC	432,509	415,285
Total Program Operating Expenses	3,918,158	3,766,996
Supporting Services Expenses:		
Management and general expenses	220,322	227,730
Total Expenses	4,138,480	3,994,726
Change in Net Assets	459,397	(713,390)
Net Assets - Beginning of Year	10,198,520	10,911,910
Net Assets - End of Year	$ 10,657,917	$ 10,198,520

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

Student Assistance Foundation of Montana and Affiliate

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Program Operating					Supporting Services	
Year Ended June 30, 2023	Servicing and Management for MHESAC	Delivery and Support of RHM	Other Services	Workmosis Power, LLC	Total Program Operating	Management and General	Total
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
Bad debt	-	-	875	981	1,856	-	1,856
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
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 FUNCTIONAL EXPENSES

	Program Operating					Supporting Services	
Year Ended June 30, 2022	Servicing and Management for MHESAC	Delivery and Support of RHM	Other Services	Workmosis Power, LLC	Total Program Operating	Management and General	Total
Salaries, payroll taxes and employee benefits	$ 1,216,495	$ 1,201,202	$ 215,843	$ -	$ 2,633,540	$ 160,390	$ 2,793,930
Automobile	84	122	6	-	212	31	243
Board and officer	-	-	-	-	-	8,856	8,856
Computer charges	63,362	21,599	4,223	5,823	95,007	18,296	113,303
Contract services and labor	8,106	306	-	54,439	62,851	398	63,249
Contract sub-servicing fees	366,075	-	(121)	-	365,954	-	365,954
Depreciation	9,853	14,409	716	62,392	87,370	3,690	91,060
Dues, subscriptions and memberships	3,365	714	961	1,072	6,112	473	6,585
Income tax expense	-	-	-	-	-	(6,160)	(6,160)
Insurance	22,315	32,634	1,623	32,543	89,115	26,566	115,681
Interest, building note	-	-	-	58,544	58,544	-	58,544
Mail, postage and courier	1,132	459	221	6,761	8,573	291	8,864
Marketing	-	-	2,453	-	2,453	-	2,453
Office supplies and copier charges	3,016	801	181	6,247	10,245	736	10,981
Other costs	10,861	2,896	5,071	421	19,249	4,639	23,888
Printing	207	115	98	-	420	57	477
Professional services	83,644	1,168	654	735	86,201	(2,861)	83,340
Property taxes	-	-	-	25,931	25,931	-	25,931
Rent	1,740	434	49	-	2,223	418	2,641
Repairs, maintenance and service	-	-	-	51,559	51,559	-	51,559
Staff travel and training	10,444	2,719	335	743	14,241	2,101	16,342
Telecommunications and utilities	29,562	7,169	2,390	108,075	147,196	9,509	156,705
Trustee fees	-	-	-	-	-	300	300
Total Expenses by Function Included in the Expense Section on the Statement of Activities	$ 1,830,261	$ 1,286,747	$ 234,703	$ 415,285	$ 3,766,996	$ 227,730	$ 3,994,726

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		2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$	459,397	$	(713,390)
Adjustments to reconcile change in net assets to				
net cash flows from operating activities:				
Depreciation		95,687		91,060
Leasehold improvement amortization		14,885		15,011
Change in investment values, net		(1,002,821)		2,908,076
Realized gain on investment		(10,659)		(866,867)
Loss on disposal of fixed assets		-		1,287
Change in assets and liabilities:				
(Increase) decrease in current assets:				
Accounts receivable		(34,583)		(3,902)
Funds due to escrow investments		56,535		31,945
Interest receivable		(9,250)		10,045
Prepaid costs		(1,350)		45,914
Increase (decrease) in current liabilities:				
Accounts payable and accrued expenses		238,600		(20,081)
Compensated absences		32,598		24,796
Deferred client income		1,085,063		(237,744)
Funds held in trust		(52,169)		(36,728)
NET CASH FLOWS FROM OPERATING ACTIVITIES		871,933		1,249,422
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment		(718,594)		(76,116)
Purchase of leasehold improvements		(452)		(9,624)
Purchase of investments		(406,000)		(936,000)
Proceeds from sale of investments		247,813		-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(877,233)		(1,021,740)
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal payments on real estate note payable		(46,809)		(44,581)
CASH FLOWS FROM FINANCING ACTIVITIES		(46,809)		(44,581)
Net Change in Cash and Cash Equivalents		(52,109)		183,101
Cash and Cash Equivalents - Beginning of Year		1,174,272		991,171
Cash and Cash Equivalents - End of Year	$	1,122,163	$	1,174,272

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		2023		2022
CASH AND CASH EQUIVALENTS ARE REPORTED ON THE STATEMENT OF FINANCIAL POSITION				
Cash and cash equivalents	$	614,286	$	880,042
Cash and cash equivalents held for security deposits		23,953		24,066
Cash and cash equivalents held for other obligations		125,588		191,405
Escrow cash/cash equivalents		358,336		78,759
TOTAL CASH AND CASH EQUIVALENTS	$	1,122,163	$	1,174,272

The accompanying notes are an integral part of these 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 in an effort 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 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 into 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. SAF has rolled out marketing for 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 March 2023 SAF advanced WMP $362,853 for an energy efficiency upgrade project. On June 30, 2023 and June 30, 2022, the building was 100% and 98% occupied, respectively.

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.

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.

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 year ended June 30, 2023, and a tax benefit of $6,160 for the year ended June 30, 2022. There are no other significant deferred tax assets or liabilities as of June 30, 2023 or 2022.

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, 2023 and 2022.

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.

Marketing Costs Marketing costs are expensed as incurred and total $4,005 and $2,453 for the years ended June 30, 2023 and 2022, 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 on the basis of estimates of time and effort by departments. Time and effort is 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 Accounts receivable includes services clients and rents receivable at June 30, 2023 and 2022. No allowance for uncollectible accounts was recorded for June 30, 2023, and June 30, 2022, as management believes that the majority of accounts are collectible. The direct write-off method was used to recognize a bad debt expense of $1,856 and $0 for the years ended June 30, 2023 and 2022, respectively.

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 is $95,687 and $91,060 for the years ended June 30, 2023 and 2022, respectively.

Leasehold improvements of $452 and $9,624 were made as of the year ended June 30, 2023 and 2022, respectively, on leased property. Amortization of these costs over the life of the lease resulted in expenses of $14,885 and $15,011 for years June 30, 2023 and 2022, respectively, leaving a balance of $42,784 and $57,217 in leasehold improvements each year.

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 Corporation capitalized $0 and $650 of implementation costs as of June 30, 2023 and 2022, respectively. The WMP cloud setup has been placed in service and $959 and $898 in amortization was recognized as of June 30, 2023 and 2022, respectively.

Revenue and Revenue Recognition Revenue for contracts related to management and servicing fees along with programs delivery and support are recognized on a monthly basis 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.

Subsequent Events Management has evaluated subsequent events through September 14, 2023, the date which the consolidated financial statements were available for issue and did not identify any events to disclose.

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	2023	2022
Cash and cash equivalents	$ 614,286	$ 880,042
Accounts receivable	40,734	6,151
Investment	2,639,461	2,716,179
Interest receivable	26,708	24,342
Cash held for other obligations	125,588	191,405
Investments held for other obligations	6,542,848	6,149,600
Totals	$ 9,989,625	$ 9,967,719

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, 89% are financial assets. Of the financial assets, 38% 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 is 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 the majority of 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.

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, 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. At June 30, 2022, the carrying amount of those deposits was $1,173,972 and the bank balance was $1,178,839 with $490,922 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.

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, 2023, 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.

The Corporation had investments consisting of the following:

	Fair Value Measurements at Report Date Using		
June 30, 2023	**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

June 30, 2022	Total	Fair Value Measurements at Report Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Short-Term Investments			
U.S. Government obligations	$ 460,175	$ -	$ 460,175
Corporate bonds	691,380	-	691,380
Equity stocks	808,154	808,154	-
Exchange-Traded funds	623,256	623,256	-
Equity funds	108,423	108,423	-
Real estate investment trusts	24,791	24,791	-
Total Short-Term Investments	2,716,179	1,564,624	1,151,555
Investments Held for Other Obligations			
U.S. Government obligations	370,670	-	370,670
Corporate bonds	505,520	-	505,520
Equity stocks	3,484,347	3,484,347	-
Exchange-Traded funds	598,406	598,406	-
Equity funds	1,087,802	1,087,802	-
Real estate investment trusts	102,855	102,855	-
Total Investments Held for Other Obligations	6,149,600	5,273,410	876,190
Escrow Investments			
U.S. Government obligations	980,690	-	980,690
Corporate bonds	1,238,433	-	1,238,433
Equity stocks	8,300,657	8,300,657	-
Exchange-Traded funds	1,484,324	1,484,324	-
Equity funds	2,481,367	2,481,367	-
Real estate investment trusts	243,425	243,425	-
Total Escrow Investments	14,728,896	12,509,773	2,219,123
Total Investments	$ 23,594,675	$ 19,347,807	$ 4,246,868

Components of investment income include the following:

June 30	**2023**	**2022**
Interest and investment income	$ 796,017	$ 924,780
Realized gain on sale of investments	10,659	866,867
Unrealized market value change of investments	447,254	(3,576,046)
Investment expenses	(112,212)	(117,583)
Investment income (loss) on escrow to deferred revenue - net	(739,440)	1,143,033
Income From Investments	$ 402,278	$ (758,949)

Maturities on bond investments were as follows:

June 30, 2023		Market Value
Due in one year or less	$	306,830
Due after one year through five years		1,221,496
Due after five years through ten years		2,165,321
Due after ten years through twenty years		1,096,013
Due after twenty years		350,660
Total	$	5,140,320

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. At June 30, 2023 and 2022, the realized gain was $10,659 and $866,867, 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. At June 30, 2023 and 2022, the unrealized market value change was $447,254 and ($3,576,046), respectively.

5. LONG-TERM DEBT

Long-term debt consisted of the following:

June 30		2023		2022
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.	$	1,617,519	$	1,664,328
Less: Current maturities		(48,449)		(47,123)
Total Long-Term Notes Payable	$	1,569,070	$	1,617,205

Future maturity requirements of long-term debt for the five years subsequent to June 30, 2023 and thereafter are as follows:

Years Ending June 30,		
2024	$	48,449
2025		49,991
2026		51,754
2027		53,579
2028		55,336
Thereafter		1,358,410
Total Future Maturities	$	1,617,519

6. LEASES

Lessee

SAF has two operating leases. One is a two-year mail equipment lease which is below our capitalization amount of $1,000. The lease payments for this equipment are expensed to mail, postage and courier.

The second lease is 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. Total lease payments eliminated for the fiscal year ended June 30, 2023 and 2022, are $47,474 and $44,134, respectively. The ROU Asset and offsetting Operating Lease Liability eliminated in the year ended June 30, 2023, are $117,385 each. The ROU Asset and offsetting Operating Lease Liability eliminated in the year ended June 30, 2022, are $156,140.

The office lease began May 1, 2021 and terminates April 30, 2026. The monthly lease payment at the start of the lease was $3,630 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. On May 1, 2022, the monthly lease payment increased to $3,917. On May 1, 2023, the monthly lease payment increased to $4,152. 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. 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 in excess of one year are as follows:

Years Ending June 30		**Original Leases**		**Extra Payment for CPI**
2024	$	43,560	$	6,264
2025		43,560		6,264
2026		36,300		5,220
Total		123,420	$	17,748
Less: Discount applied		6,035		
Operating Lease Liability	$	117,385		

The total operating lease right-of-use asset and obligation under operating lease liability were eliminated during consolidation.

Lessor

With the purchase of the Power Block Building by WMP on December 18, 2021, 34 leases were transferred to WMP. WMP had 39 leases for both years ending as of June 30, 2023 and 2022, respectively. These are all operating leases. Total operating lease income as of June 30, 2023 and 2022, is $556,387 and $527,959, respectively, after elimination of SAF’s operating lease in the consolidating adjustments.

As of June 30, 2023, the future operating lease payments to be received under the leases in place, with the SAF amount listed separately as a related party, is as follows:

Years Ending June 30	Unrelated	Related
2024	$ 278,268	$ 49,824
2025	$ 86,215	$ 49,824
2026	$ 63,254	$ 41,520
2027	$ 15,540	$ -

There is only one tenant with an option to extend their lease. The option is available for a period of three years with a nine-month notice.

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 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 $128,080 in the year ended June 30, 2023, and $120,237 in the year ended June 30, 2022.

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.

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, 2023 and 2022, SAF billed MHESAC $2,504,075 and $2,995,081 respectively. At June 30, 2023 and 2022, the reconciliation for billed and actual management and servicing fees resulted in a balance payable to MHESAC of $11,394 and $27,134, respectively. The 2022 balance is included in funds held in trust.

Escrow Agreement

SAF has entered into an escrow agreement with MHESAC in order 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, will 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.

Additions to the SAF escrow are from amounts collected from MHESAC in excess of the monthly management and servicing fees based on the allocated costs plus 15%. Following is a summary of the changes in the SAF escrow at:

June 30	2023	2022
Interest and investment income	$ 497,338	$ 577,948
Realized (loss) gain on sale of investments	(30,751)	559,090
Unrealized market value change of investments	345,865	(2,205,037)
Investment expenses	(73,012)	(75,034)
Investment Income - Net	739,440	(1,143,033)
Escrow - Beginning Balance	14,907,414	15,145,158
Addition to escrow in excess of monthly management and servicing fees	345,623	905,289
Escrow, Fair Value - Ending Balance	$ 15,992,477	$ 14,907,414

A summary of the escrow balance between the principal excess management and servicing fees added plus net investment income over the life of the agreement is as follows:

June 30	2023	2022
Escrow Balance - Principal	$ 13,017,612	$ 12,671,989
Investment income - net less bank fee	2,974,865	2,235,425
Escrow - Fair Value Total	$ 15,992,477	$ 14,907,414

During the years ended June 30, 2023 and 2022, there was an offsetting deferred income amount with a fair value balance of $15,992,477 and $14,907,414, 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 Reach Higher Montana. SAF will provide management services for MHESAC's Reach Higher Montana 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.

During the year ended June 30, 2023, SAF billed MHESAC $322,892 for management services and $1,025,575 for program delivery. During the year ended June 30, 2022, SAF billed MHESAC $334,532 for management services and $1,015,866 for program delivery of the Reach Higher Montana initiatives. At June 30, 2023 and 2022, the reconciliation for billed and actual management and program delivery resulted in a receivable from MHESAC of $28,993 and $24,844, 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.

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, 2023 and 2022, 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 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 Reach Higher Montana, a division of MHESAC. During fiscal year 2023 and 2022, SAF had two of its five board members in common with MHESAC's eight board members.

10. RISK MANAGEMENT

SAF faces a number of 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 77% and 106% of SAF's total revenues for the years ended June 30, 2023 and 2022, respectively. Note that MHESAC is greater than 100% in FY22 due to the net loss in investment income for the year. There was $19,437 net receivable and $606 net payable to MHESAC outstanding at June 30, 2023 and 2022, 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 2023	2022
ASSETS					
Current Assets					
Cash and cash equivalents	$ 446,791	$ 167,495	$ -	$ 614,286	$ 880,042
Accounts Receivable:					
Workmosis Power	20,988	-	(20,988)	-	-
Client and other receivables	39,729	1,005	-	40,734	6,151
Interest receivable	26,708	-	-	26,708	24,342
Advance to subsidiary	1,112,853	-	(1,112,853)	-	-
Investments	2,639,461	-	-	2,639,461	2,716,179
Prepaid costs, net	111,069	18,794	-	129,863	128,513
Total Current Assets	4,397,599	187,294	(1,133,841)	3,451,052	3,755,227
Property and Equipment - at Cost					
Land and building	-	2,311,630	-	2,311,630	2,311,630
Building improvements	-	814,289	-	814,289	108,430
Construction work in progress	-	-	-	-	-
Equipment and furniture	511,694	10,829	-	522,523	514,467
Subtotals	511,694	3,136,748	-	3,648,442	2,934,527
Less: Accumulated depreciation	474,621	161,986	-	636,607	545,599
Subtotals	37,073	2,974,762	-	3,011,835	2,388,928
Operating lease right-of-use asset	117,385	-	(117,385)	-	-
Leasehold improvements, net	42,784	-	-	42,784	57,217
Total Property and Equipment	197,242	2,974,762	(117,385)	3,054,619	2,446,145
Other Assets					
Cash and cash equivalents held for security deposits	-	23,953	-	23,953	24,066
Cash and cash equivalents held for other obligations	125,588	-	-	125,588	191,405
Investments held for other obligations	6,542,848	-	-	6,542,848	6,149,600
Total Other Assets	6,668,436	23,953	-	6,692,389	6,365,071
Other Restricted Assets					
Escrow cash/cash equivalents	358,336	-	-	358,336	78,759
Escrow interest and funds receivable	50,107	-	-	50,107	99,759
Escrow investments	15,584,034	-	-	15,584,034	14,728,896
Total Other Restricted Assets	15,992,477	-	-	15,992,477	14,907,414
TOTAL ASSETS	$ 27,255,754	$ 3,186,009	$ (1,251,226)	$ 29,190,537	$ 27,473,857

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 2023	2022
LIABILITIES AND NET ASSETS					
Current Liabilities					
Other accounts payable and accrued expenses	$ 117,278	$ 353,203	$ (20,988)	$ 449,493	$ 210,893
Funds held in trust	16,135	31,394	-	47,529	99,698
Compensated absences liability	425,602	-	-	425,602	393,004
Advance from parent company	-	1,112,853	(1,112,853)	-	-
Current obligation under operating lease	40,121	-	(40,121)	-	-
Current maturities of real estate notes payable	-	48,449	-	48,449	47,123
Total Current Liabilities	599,136	1,545,899	(1,173,962)	971,073	750,718
Long-Term Liabilities					
Obligation under operating lease, net of current maturities	77,264	-	(77,264)	-	-
Real estate notes payables, net of current maturities	-	1,569,070	-	1,569,070	1,617,205
Deferred income	15,992,477	-	-	15,992,477	14,907,414
Total Long-Term Liabilities	16,069,741	1,569,070	(77,264)	17,561,547	16,524,619
Total Liabilities	16,668,877	3,114,969	(1,251,226)	18,532,620	17,275,337
Net Assets					
Without Donor Restrictions					
Undesignated	3,904,235	71,040	-	3,975,275	3,846,674
Board-designated reserve for other obligations	6,682,642	-	-	6,682,642	6,351,846
Total Net Assets	10,586,877	71,040	-	10,657,917	10,198,520
TOTAL LIABILITIES AND NET ASSETS	$ 27,255,754	$ 3,186,009	$ (1,251,226)	$ 29,190,537	$ 27,473,857

Student Assistance Foundation of Montana and Affiliate

CONSOLIDATING STATEMENT OF ACTIVITIES

Years Ended June 30	Student Assistance Foundation	Workmosis Power, LLC	Consolidating Adjustments	Comparative Totals 2023	Comparative Totals 2022
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Revenue and Support					
Management and servicing fee income	$ 2,502,702	$ -	$ -	$ 2,502,702	$ 2,990,121
Deferred per escrow agreement	(345,623)	-	-	(345,623)	(905,289)
Net Management and Servicing Fee Income	2,157,079	-	-	2,157,079	2,084,832
Programs delivery and support income	1,352,619	-	-	1,352,619	1,358,702
Building management and maintenance income	183,570	-	(183,570)	-	-
Investment (loss) income, net	402,276	2	-	402,278	(758,949)
Operating lease income	-	603,861	(47,474)	556,387	527,959
Loss on disposal of fixed assets	-	-	-	-	(1,287)
Other income	97,410	32,346	(242)	129,514	70,079
Total Revenue and Support Without Donor Restrictions	4,192,954	636,209	(231,286)	4,597,877	3,281,336
Expenses					
Program Operating Expenses:					
Servicing and management for MHESAC	1,915,578	-	(29,750)	1,885,828	1,830,261
Delivery and support of RHM	1,288,208	-	(6,765)	1,281,443	1,286,747
Other services	320,283	-	(1,905)	318,378	234,703
Workmosis Power, LLC	-	616,079	(183,570)	432,509	415,285
Total Program Operating Expenses	3,524,069	616,079	(221,990)	3,918,158	3,766,996
Supporting Services Expense:					
Management and general expenses	229,618	-	(9,296)	220,322	227,730
Total Expenses	3,753,687	616,079	(231,286)	4,138,480	3,994,726
Change in Net Assets	439,267	20,130	-	459,397	(713,390)
Net Assets - Beginning of Year	10,147,610	50,910	-	10,198,520	10,911,910
Net Assets - End of Year	$ 10,586,877	$ 71,040	$ -	$ 10,657,917	$ 10,198,520