

**STUDENT ASSISTANCE  
FOUNDATION OF MONTANA  
AND AFFILIATE**

**CONSOLIDATED FINANCIAL  
REPORT**

**JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S 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 statements of financial position as of June 30, 2022 and 2021, and the related 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, 2022 and 2021, 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.

### **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 Auditor's 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

### **Auditor's 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 auditor's 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.

### **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 30 through 32 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 4 through 7, but it does not include the financial statements and our auditor's 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.

*Anderson Zurmuehlen + Co., P.C.*

Helena, Montana  
September 13, 2022

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
MANAGEMENT'S FINANCIAL ANALYSIS  
Years Ended June 30, 2022 and 2021

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, 2022 and 2021. 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 support of MHESAC as it continues to evolve as well. 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 have to provide services and support to other small businesses, primarily other not-for-profits. The Workmosis business effort is still in the initial stages.

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**

	<b><u>June 30, 2022</u></b>	<b><u>June 30, 2021</u></b>
Total revenue	<b>\$ 3,281,336</b>	\$ 5,454,262
Less expenses:		
Program operating expense	<b>3,766,996</b>	3,431,841
General and administrative expense	<b><u>227,730</u></b>	<u>314,447</u>
Change in net assets	<b><u>\$ (713,390)</u></b>	<b><u>\$ 1,707,974</u></b>

During the year a significant amount of the decrease 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. During FY22, both the bond and equity markets had downturns as a whole.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
MANAGEMENT'S FINANCIAL ANALYSIS (CONTINUED)  
Years Ended June 30, 2022 and 2021

**Consolidated Operational Results (Continued)**

The income/(loss) from the investments is recorded as follows for FY22:

Interest and investment income received	\$ 924,780
Realized gain on sale of investment	866,867
Investment market value change	(3,576,046)
Income reallocated to deferred revenue escrow account	1,143,033
Investment advisor and trustee fees	<u>(117,583)</u>
Net Investment Loss	<u>\$ (758,949)</u>

In order to see more clearly the result of operations exclusive of investment activity we would need to increase the change in net assets by the \$758,949 in net investment loss resulting in increase in net assets from operations of \$45,559.

The cash flow statement shows a net increase in cash and cash equivalents of \$183,101. This increase is attributed to cash inflow from operating activities. Although there was an overall loss from activities during FY22, there was net income from operating activities offset by a sizeable loss from investment activities, most of which was unrealized market valuation decreases. Of investment income that was realized, there were positive results of \$1,791,647. 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 \$2,084,832. Additionally, SAF provides the staffing and administrative support for RHM, MHESAC's public benefit arm. SAF earned \$1,358,702 for supporting RHM.

Rent income received via Workmosis Power, LLC totaled \$527,959, net of intercompany rent. This is the first full year for this activity as the building was purchased mid-year of FY21. When the building was acquired in December 2020, the building had an occupancy rate of 89%. Management was able to relocate existing tenants to other space within the building to accommodate SAF space needs and was also able to bring in new tenants. The result is that at June 30, 2022, the building occupancy was 98.4%.

SAF, through its Workmosis effort, provided accounting and project services to other organizations along with additional tenant services for which SAF received \$70,028 in income during the year. Workmosis earned \$175,889 in building management and maintenance fees from WMP which is eliminated in the consolidation. SAF also incurred a loss on fixed assets of \$1,287.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
MANAGEMENT'S FINANCIAL ANALYSIS (CONTINUED)  
Years Ended June 30, 2022 and 2021

**Staffing Levels and Expertise**

At the end of the fiscal year the Corporation had 30 employees equal to 27.88 FTE which management considers to be the core staff required at this time.

Of the staff at June 30, 2022, 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 which includes the commercial office management undertaken the prior year when the office building was acquired.

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, 2022, the balance of the escrow account was \$14,907,414. 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 approximately 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. 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 portion of 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 FY22 the financial markets experienced significant volatility and overall investment returns were negative both in the fixed income and equities markets. During the year, there was a net Investment loss, including expenses of \$758,949.

In addition to the investments described above, SAF holds cash in the escrow of \$78,759, the Board-restricted account of \$191,405, SAF operating cash of \$880,042 and tenant security deposits of \$24,066. 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.



STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
MANAGEMENT'S FINANCIAL ANALYSIS (CONTINUED)  
Years Ended June 30, 2022 and 2021

**Impact of COVID-19 Pandemic**

Beginning in February 2020 and continuing through the end of the fiscal year 2022, SAF was forced to deal with the Covid-19 pandemic as were most companies throughout the country. Due to the strength of the SAF revenue contracts and the nature of the business, SAF's revenue lines were not impacted. Additionally, SAF was able to transition staff to work from home arrangements even before the statewide quarantine order was put in place for non-essential workers. Because of these two things, SAF was able to continue all business functions remotely but also timely and completely. It was not necessary to reduce staff either permanently or through temporary furlough. Once the work from home mandate was relaxed, SAF decided to give employees the choice of continuing to work from home on a permanent basis or return to the office. Several staff chose to remain in a remote work environment, joining those staff members that have always worked remotely.

Due to the minimal impact on the business of SAF, management, supported by the board of directors, declined to apply for any of the stimulus funds made available by the CARES act for businesses that were significantly impacted by the pandemic.

CONSOLIDATED FINANCIAL STATEMENTS

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 880,042	\$ 779,921
Accounts receivable	6,151	2,249
Interest receivable	24,342	27,569
Investments	2,716,179	3,067,835
Prepaid costs, net	128,513	174,427
Total current assets	3,755,227	4,052,001
 <b>PROPERTY AND EQUIPMENT, at cost</b>		
Land and building	2,311,630	2,311,630
Building improvements	108,430	47,447
Equipment and furniture	514,467	596,585
	2,934,527	2,955,662
Less: accumulated depreciation	545,599	550,504
	2,388,928	2,405,158
Leasehold improvements, net	57,217	62,604
Total property and equipment	2,446,145	2,467,762
 <b>OTHER ASSETS</b>		
Cash and cash equivalents held for security deposits	24,066	23,412
Cash and cash equivalents held for other obligations	191,405	123,336
Investments held for other obligations	6,149,600	6,689,916
Total other assets	6,365,071	6,836,664
 <b>OTHER RESTRICTED ASSETS</b>		
Escrow cash and cash equivalents	78,759	64,502
Escrow interest and funds receivable	99,759	138,523
Escrow investments	14,728,896	14,942,133
Total other restricted assets	14,907,414	15,145,158
<b>TOTAL ASSETS</b>	<b>\$ 27,473,857</b>	<b>\$ 28,501,585</b>

The Notes to Consolidated Financial Statements are an integral part of these statements.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Other accounts payable and accrued expenses	\$ <b>210,893</b>	\$ 230,974
Funds held in trust	<b>99,698</b>	136,426
Compensated absences liability	<b>393,004</b>	368,208
Current maturities of real estate notes payable	<b>47,123</b>	45,061
Total current liabilities	<b>750,718</b>	780,669
<b>LONG-TERM LIABILITIES</b>		
Real estate notes payable, net of current maturities	<b>1,617,205</b>	1,663,848
Deferred income	<b>14,907,414</b>	15,145,158
Total long-term liabilities	<b>16,524,619</b>	16,809,006
Total liabilities	<b>17,275,337</b>	17,589,675
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	<b>3,846,674</b>	4,083,859
Board-designated reserve for other obligations	<b>6,351,846</b>	6,828,051
Total net assets	<b>10,198,520</b>	10,911,910
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 27,473,857</b>	\$ 28,501,585

The Notes to Consolidated Financial Statements are an integral part of these statements.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2022 and 2021

	<b>2022</b>	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support:		
Management & servicing fee income	\$ 2,990,121	\$ 3,400,384
Deferred per escrow agreement	<u>(905,289)</u>	<u>(1,227,965)</u>
Net management and servicing fee income	2,084,832	2,172,419
Programs delivery and support income	1,358,702	1,230,848
Investment (loss) income, net	(758,949)	1,719,752
Operating lease income	527,959	282,337
Loss on disposal of fixed assets	(1,287)	(1,500)
Contributions	-	2,000
Other income	<u>70,079</u>	<u>48,406</u>
Total revenue and support without donor restrictions	<u><b>3,281,336</b></u>	<u><b>5,454,262</b></u>
Expenses:		
Program operating expenses:		
Servicing and management for MHESAC	1,830,261	1,936,801
Delivery and support of RHM	1,286,747	1,171,260
Other services	234,703	114,296
Workmosis Power, LLC	<u>415,285</u>	<u>209,484</u>
Total program operating expenses	<u><b>3,766,996</b></u>	<u><b>3,431,841</b></u>
Supporting services expenses:		
Management and general expenses	<u>227,730</u>	<u>314,447</u>
Total supporting services expenses	<u><b>227,730</b></u>	<u><b>314,447</b></u>
Total expenses	<u><b>3,994,726</b></u>	<u><b>3,746,288</b></u>
Change in net assets	(713,390)	1,707,974
Net assets at the beginning of the year	<u><b>10,911,910</b></u>	<u><b>9,203,936</b></u>
Net assets at the end of the year	<u><b>\$ 10,198,520</b></u>	<u><b>\$ 10,911,910</b></u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2022**

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

The Notes to Consolidated Financial Statements are an integral part of this statement.

**STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2021**

	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	\$ 1,204,655	\$ 1,068,571	\$ 100,122	\$ 77	\$ 2,373,425	\$ 207,035	<b>\$ 2,580,460</b>
Automobile	156	196	-	-	352	38	<b>390</b>
Board and officer	-	-	-	-	-	8,125	<b>8,125</b>
Computer charges	70,959	18,904	3,833	661	94,357	19,200	<b>113,557</b>
Contract services and labor	8,565	1,040	-	19,083	28,688	664	<b>29,352</b>
Contract sub-servicing fees	416,421	-	-	-	416,421	-	<b>416,421</b>
Depreciation	15,077	18,923	-	30,267	64,267	3,723	<b>67,990</b>
Dues, subscriptions and memberships	4,334	783	634	1,567	7,318	554	<b>7,872</b>
Income tax expense	-	-	-	-	-	6,210	<b>6,210</b>
Insurance	29,305	36,780	-	17,627	83,712	25,816	<b>109,528</b>
Interest, building note	-	-	-	31,736	31,736	-	<b>31,736</b>
Mail, postage and courier	1,167	219	176	3,504	5,066	224	<b>5,290</b>
Marketing	-	-	1,264	-	1,264	-	<b>1,264</b>
Office supplies and copier charges	4,592	858	1,766	2,136	9,352	870	<b>10,222</b>
Other costs	5,766	1,284	5,932	226	13,208	1,015	<b>14,223</b>
Printing	211	100	-	-	311	30	<b>341</b>
Professional services	50,584	514	-	4,477	55,575	16,469	<b>72,044</b>
Property taxes	-	-	-	13,030	13,030	-	<b>13,030</b>
Rent	85,144	15,792	-	-	100,936	16,346	<b>117,282</b>
Repairs, maintenance and service	-	-	-	35,704	35,704	-	<b>35,704</b>
Staff travel and training	4,268	1,068	-	1,442	6,778	619	<b>7,397</b>
Telecommunications and utilities	35,597	6,228	569	47,947	90,341	7,229	<b>97,570</b>
Trustee fees	-	-	-	-	-	280	<b>280</b>
Total expenses by function included in the expense section on the statement of activities	<u>\$ 1,936,801</u>	<u>\$ 1,171,260</u>	<u>\$ 114,296</u>	<u>\$ 209,484</u>	<u>\$ 3,431,841</u>	<u>\$ 314,447</u>	<u><b>\$ 3,746,288</b></u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (713,390)	\$ 1,707,974
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	91,060	67,990
Leasehold improvement amortization	15,011	5,851
Change in investment values, net	2,908,076	(5,345,801)
Realized (gain) loss on investment	(866,867)	(385,952)
Loss on disposal of fixed assets	1,287	1,500
Change in assets and liabilities:		
(Increase) decrease in current assets:		
Accounts receivable	(3,902)	205,083
Funds due to escrow investments	31,945	43,759
Interest receivable	10,045	(11,108)
Prepaid costs	45,914	(62,489)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	(20,081)	(114,442)
Compensated absences	24,796	10,210
Deferred client income	(237,744)	4,116,824
Funds held in trust	(36,728)	(10,918)
Net cash flows from operating activities	<u>1,249,422</u>	<u>228,481</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(76,116)	(2,393,400)
Purchase of leasehold improvements	(9,624)	(63,665)
Purchase of investments	(936,000)	(1,274,000)
Proceeds from sale of investments	-	500,000
Net cash flows from investing activities	<u>(1,021,740)</u>	<u>(3,231,065)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of real estate note payable	-	1,730,948
Principal payments on real estate note payable	(44,581)	(22,039)
Net cash flows from financing activities	<u>(44,581)</u>	<u>1,708,909</u>
Net change in cash and cash equivalents	183,101	(1,293,675)
Cash and cash equivalents, beginning of year	<u>991,171</u>	<u>2,284,846</u>
Cash and cash equivalents, end of year	<u>\$ 1,174,272</u>	<u>\$ 991,171</u>
Cash and cash equivalents are reported on the statement of financial position as follows:		
Cash and cash equivalents	\$ 880,042	\$ 779,921
Cash and cash equivalents held for security deposits	24,066	23,412
Cash and cash equivalents held for other obligations	191,405	123,336
Escrow cash/cash equivalents	78,759	64,502
	<u>\$ 1,174,272</u>	<u>\$ 991,171</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.



STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

**NOTE 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 is providing 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. On June 30, 2022 and June 30, 2021, the building was 98% and 99% occupied, respectively.

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

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 a tax benefit of \$6,160 for the year ended June 30, 2022, and tax expense of \$6,210 for the year ended June 30, 2021. There are no other significant deferred tax assets or liabilities as of June 30, 2022 or 2021.

**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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Net Assets (Continued)**

*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, 2022 and 2021.

**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 \$2,453 and \$1,264 for the years ended June 30, 2022 and 2021, 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 consists of administrative services clients and rents receivable at June 30, 2022 and 2021, respectively. No allowance for uncollectible accounts was recorded for June 30, 2022, and June 30, 2021, as management believes that substantially all accounts are collectible.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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 \$91,060 and \$67,990 for the years ended June 30, 2022 and 2021, respectively.

Leasehold improvements of \$9,624 and \$63,665 were made as of the year ended June 30, 2022 and 2021, respectively on leased property. Leasehold improvements at the prior location were fully amortized at the end of the lease on May 31, 2021. Amortization of these costs over the life of the lease resulted in expense of \$15,011 and \$5,851 for year June 30, 2022 and 2021, respectively leaving a balance of \$57,217 and \$62,604 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.

**Prepaid Costs**

Expenses which 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 \$650 and \$2,228 of implementation costs as of June 30, 2022 and 2021, respectively. The WMP cloud setup has been placed in service and \$898 and \$391 in amortization was recognized as of June 30, 2022 and 2021, 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 is recognized as services are provided on a monthly basis.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2022 and 2021

**NOTE 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 880,042	\$ 779,921
Accounts receivable	6,151	2,249
Investments	2,716,179	3,067,835
Interest receivable	24,342	27,569
Cash held for other obligations	191,405	123,336
Investments held for other obligations	<u>6,149,600</u>	<u>6,689,916</u>
	<u>\$ 9,967,719</u>	<u>\$ 10,690,826</u>

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, 91% are financial assets. Of the financial assets, 40% 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 is reimbursed on a cost plus 5% basis. This arrangement allows SAF to meet the majority of its operating expenses with 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  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 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, 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. At June 30, 2021, the carrying amount of those deposits was \$990,872 and the bank balance was \$996,498 with \$295,270 in excess of FDIC insured limits.

**NOTE 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, 2022, 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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)**

*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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)**

At June 30, 2022, the Corporation had investments consisting of the following:

	Fair value measurements at report date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	<b><u>Total</u></b>	<b><u>(Level 1)</u></b>	<b><u>(Level 2)</u></b>
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	-
	<b><u>2,716,179</u></b>	<b><u>1,564,624</u></b>	<b><u>1,151,555</u></b>
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	-
	<b><u>6,149,600</u></b>	<b><u>5,273,410</u></b>	<b><u>876,190</u></b>
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	-
	<b><u>14,728,896</u></b>	<b><u>12,509,773</u></b>	<b><u>2,219,123</u></b>
 Total Investments	 <b><u>\$ 23,594,675</u></b>	 <b><u>\$ 19,347,807</u></b>	 <b><u>\$ 4,246,868</u></b>



STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)**

At June 30, 2021, the Corporation had investments consisting of the following:

	Fair value measurements at report date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	<b><u>Total</u></b>	<b><u>(Level 1)</u></b>	<b><u>(Level 2)</u></b>
Short-term investments			
U.S. Government obligations	\$ 617,534	\$ -	\$ 617,534
Corporate bonds	739,755	-	739,755
Equity stocks	861,699	861,699	-
Exchange traded funds	676,875	676,875	-
Equity funds	141,636	141,636	-
Real estate investment trusts	30,336	30,336	-
	<b><u>3,067,835</u></b>	<b><u>1,710,546</u></b>	<b><u>1,357,289</u></b>
Investments held for other obligations			
U.S. Government obligations	546,769	-	546,769
Corporate bonds	639,897	-	639,897
Equity stocks	4,094,945	4,094,945	-
Exchange traded funds	772,803	772,803	-
Equity funds	497,502	497,502	-
Real estate investment trusts	138,000	138,000	-
	<b><u>6,689,916</u></b>	<b><u>5,503,250</u></b>	<b><u>1,186,666</u></b>
Escrow investments			
U.S. Government obligations	1,165,605	-	1,165,605
Corporate bonds	1,368,969	-	1,368,969
Equity stocks	9,259,539	9,259,539	-
Exchange traded funds	1,701,290	1,701,290	-
Equity funds	1,133,766	1,133,766	-
Real estate investment trusts	312,964	312,964	-
	<b><u>14,942,133</u></b>	<b><u>12,407,559</u></b>	<b><u>2,534,574</u></b>
Total Investments	<b><u>\$ 24,699,884</u></b>	<b><u>\$ 19,621,355</u></b>	<b><u>\$ 5,078,529</u></b>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)**

Components of investment income include the following:

	<u>2022</u>	<u>2021</u>
Interest and investment income	\$ 924,780	\$ 591,879
Realized gain on sale of investments	866,867	385,952
Unrealized market value change of investments	(3,576,046)	3,732,210
Investment expenses	(117,583)	(101,430)
Investment income (loss) on escrow to deferred revenue, net	<u>1,143,033</u>	<u>(2,888,859)</u>
Income from investments	<u>\$ (758,949)</u>	<u>\$ 1,719,752</u>

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, 2022 and 2021, the realized gain was \$866,867 and \$385,952, respectively. The unrealized market value change calculates the difference between the carrying amount at the beginning of the period, or the transactions price if purchased in the current period, and its carrying amount at the end of the reporting period. At June 30, 2022 and 2021, the unrealized market value change was (\$3,576,046) and \$3,732,210, respectively.

**NOTE 5. LONG-TERM DEBT**

At June 30, 2022 and 2021, long-term debt consisted of the following:

	<u>2022</u>	<u>2021</u>
Note payable to Valley Bank for WMP building, bearing interest at the rate of 3.47% for 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	\$ 1,664,328	\$ 1,708,909
Less current maturities	<u>(47,123)</u>	<u>(45,061)</u>
Long-term notes payable	<u>\$ 1,617,205</u>	<u>\$ 1,663,848</u>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 5. LONG-TERM DEBT (CONTINUED)**

Future maturity requirements of long-term debt for the five years subsequent to June 30, 2022 and thereafter are as follows:

2023	\$ 47,123
2024	48,142
2025	49,992
2026	51,754
2027	53,579
Thereafter	<u>1,413,738</u>
	<u>\$ 1,664,328</u>

**NOTE 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, 2022 and 2021, are \$44,134 and \$7,260, respectively. The ROU Asset and offsetting Operating Lease Liability eliminated in the year ended June 30, 2022 are \$156,140 each. The ROU Asset and offsetting Operating Lease Liability eliminated in the year ended June 30, 2021 are \$193,575.

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. 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%.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 6. LEASES (CONTINUED)**

**Lessee (Continued)**

As of June 30, 2022, the future lease payments under the operating lease with a remaining term in excess of one year is as follows:

	<u>Original Lease</u>	<u>Extra Payment for CPI</u>
2023	\$ 43,560	\$ 3,444
2024	43,560	3,444
2025	43,560	3,444
2026	<u>36,300</u>	<u>2,870</u>
Total	166,980	<u>\$ 13,202</u>
Less discount applied	<u>10,840</u>	
Operating lease liability	<u>\$ 156,140</u>	

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. As of June 30, 2022, WMP has 39 leases. These are all operating leases. Total operating lease income as of June 30, 2022 and 2021, is \$527,959 and \$282,337, respectively, after elimination of SAF's operating lease in the consolidating adjustments.

As of June 30, 2022, 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:

	<u>Unrelated</u>	<u>Related</u>
2023	\$ 308,345	\$ 47,004
2024	115,247	47,004
2025	60,805	47,004
2026	50,640	39,170
2027	13,940	-

There is only one tenant with an option to extend their lease. The option is available for a period of 3 years with a 9-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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 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 \$120,237 in the year ended June 30, 2022, and \$109,808 in the year ended June 30, 2021.

**NOTE 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, 2022 and 2021, SAF billed MHESAC \$2,995,081 and \$3,399,598 respectively. At June 30, 2022 and 2021, the reconciliation for billed and actual management and servicing fees resulted in a balance payable to MHESAC of \$27,134 and \$2,904, respectively. These balances are included in 2022 and 2021 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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Escrow Agreement (Continued)**

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:

	<u>2022</u>	<u>2021</u>
Interest and investment income	\$ 577,948	\$ 346,521
Realized gain on sale of investments	559,090	191,131
Unrealized market value change of investments	(2,205,037)	2,413,378
Investment expenses	<u>(75,034)</u>	<u>(62,171)</u>
Investment income, net	(1,143,033)	2,888,859
Escrow, beginning balance	15,145,158	11,028,344
Bank fee deposited in 2020 and offset in 2021	-	(10)
Addition to escrow in excess of monthly management and servicing fees	<u>905,289</u>	<u>1,227,965</u>
Escrow, fair value ending balance	<u>\$ 14,907,414</u>	<u>\$ 15,145,158</u>

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 at June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Escrow balance – principal	\$ 12,671,989	\$ 11,766,700
Investment income, net less bank fee	<u>2,235,425</u>	<u>3,378,458</u>
Escrow, fair value total	<u>\$ 14,907,414</u>	<u>\$ 15,145,158</u>

During the years ended June 30, 2022 and 2021, there was an offsetting deferred income amount with a fair value balance of \$14,907,414 and \$15,145,158, respectively.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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, 2022, SAF billed MHESAC \$334,532 for management services and \$1,015,866 for program delivery. During the year ended June 30, 2021, SAF billed MHESAC \$273,853 for management services and \$956,036 for program delivery of the Reach Higher Montana initiatives. At June 30, 2022 and 2021, the reconciliation for billed and actual management and program delivery resulted in a net balance receivable and net balance payable from MHESAC of \$24,844 and \$2,532, 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, 2022 and 2021, 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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 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 2022, SAF had two of its five board members in common with MHESAC's seven board members.

**NOTE 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.

**NOTE 11. MAJOR CUSTOMER**

Fees from MHESAC accounted for 106% and 63% of SAF's total revenues for years ended June 30, 2022 and 2021, respectively. Note that MHESAC is greater than 100% in FY22 due to the net loss in investment income for the year. There was \$606 and \$2,936 payable to MHESAC outstanding at June 30, 2022 and 2021, respectively.

**NOTE 12. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 13, 2022, the date which the consolidated financial statements were available for issue and did not identify any events to disclose.



SUPPLEMENTARY INFORMATION

**STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
June 30, 2022 with Comparative Totals for 2021**

ASSETS	Student Assistance Foundation	Workmosis Power, LLC	Consolidating Adjustments	<b>2022</b>	2021
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 723,172	\$ 156,870	\$ -	<b>\$ 880,042</b>	\$ 779,921
Accounts receivable:					
Workmosis Power	21,841	-	(21,841)	-	-
Client & other receivables	4,778	1,373	-	<b>6,151</b>	2,249
Interest receivable	24,342	-	-	<b>24,342</b>	27,569
Advance to subsidiary	750,000	-	(750,000)	-	-
Investments	2,716,179	-	-	<b>2,716,179</b>	3,067,835
Prepaid costs, net	<u>107,287</u>	<u>21,226</u>	-	<b><u>128,513</u></b>	<u>174,427</u>
Total current assets	<u>4,347,599</u>	<u>179,469</u>	<u>(771,841)</u>	<b><u>3,755,227</u></b>	<u>4,052,001</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>					
Land and building	-	2,311,630	-	<b>2,311,630</b>	2,311,630
Building improvements	-	108,430	-	<b>108,430</b>	47,447
Equipment and furniture	<u>511,688</u>	<u>2,779</u>	-	<b><u>514,467</u></b>	<u>596,585</u>
	511,688	2,422,839	-	<b>2,934,527</b>	2,955,662
Less: accumulated depreciation	<u>452,939</u>	<u>92,660</u>	-	<b><u>545,599</u></b>	<u>550,504</u>
	58,749	2,330,179	-	<b>2,388,928</b>	2,405,158
Operating lease right-of-use asset	156,140	-	(156,140)	-	-
Leasehold improvements, net	<u>57,217</u>	-	-	<b><u>57,217</u></b>	<u>62,604</u>
Total property and equipment	<u>272,106</u>	<u>2,330,179</u>	<u>(156,140)</u>	<b><u>2,446,145</u></b>	<u>2,467,762</u>
<b>OTHER ASSETS</b>					
Cash and cash equivalents held for security deposits	-	24,066	-	<b>24,066</b>	23,412
Cash and cash equivalents held for other obligations	191,405	-	-	<b>191,405</b>	123,336
Investments held for other obligations	<u>6,149,600</u>	-	-	<b><u>6,149,600</u></b>	<u>6,689,916</u>
Total other assets	<u>6,341,005</u>	<u>24,066</u>	-	<b><u>6,365,071</u></b>	<u>6,836,664</u>
<b>OTHER RESTRICTED ASSETS</b>					
Escrow cash/cash equivalents	78,759	-	-	<b>78,759</b>	64,502
Escrow interest and funds receivable	99,759	-	-	<b>99,759</b>	138,523
Escrow investments	<u>14,728,896</u>	-	-	<b><u>14,728,896</u></b>	<u>14,942,133</u>
Total other restricted assets	<u>14,907,414</u>	-	-	<b><u>14,907,414</u></b>	<u>15,145,158</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 25,868,124</u></b>	<b><u>\$ 2,533,714</u></b>	<b><u>\$ (927,981)</u></b>	<b><u>\$ 27,473,857</u></b>	<b><u>\$ 28,501,585</u></b>

See Independent Accountant's Report on Accompanying Information.

**STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)  
June 30, 2022 with Comparative Totals for 2021**

LIABILITIES AND NET ASSETS	Student Assistance Foundation	Workmosis Power, LLC	Consolidating Adjustments	<b>2022</b>	2021
<b>CURRENT LIABILITIES</b>					
Other accounts payable and accrued expenses	\$ 191,860	\$ 40,874	\$ (21,841)	<b>\$ 210,893</b>	\$ 230,974
Funds held in trust	72,096	27,602	-	<b>99,698</b>	136,426
Compensated absences liability	393,004	-	-	<b>393,004</b>	368,208
Advance from parent company	-	750,000	(750,000)	-	-
Current obligation under operating lease	38,754	-	(38,754)	-	-
Current maturities of real estate notes payable	<u>-</u>	<u>47,123</u>	<u>-</u>	<b><u>47,123</u></b>	<u>45,061</u>
Total current liabilities	<u>695,714</u>	<u>865,599</u>	<u>(810,595)</u>	<b><u>750,718</u></b>	<u>780,669</u>
<b>LONG-TERM LIABILITIES</b>					
Obligation under operating lease, net of current maturities	117,386	-	(117,386)	-	-
Real estate notes payables, net of current maturities	-	1,617,205	-	<b>1,617,205</b>	1,663,848
Deferred income	<u>14,907,414</u>	<u>-</u>	<u>-</u>	<b><u>14,907,414</u></b>	<u>15,145,158</u>
Total long-term liabilities	<u>15,024,800</u>	<u>1,617,205</u>	<u>(117,386)</u>	<b><u>16,524,619</u></b>	<u>16,809,006</u>
Total liabilities	<u>15,720,514</u>	<u>2,482,804</u>	<u>(927,981)</u>	<b><u>17,275,337</u></b>	<u>17,589,675</u>
<b>NET ASSETS</b>					
Without donor restrictions					
Undesignated	3,795,764	50,910	-	<b>3,846,674</b>	4,083,859
Board-designated reserve for other obligations	<u>6,351,846</u>	<u>-</u>	<u>-</u>	<b><u>6,351,846</u></b>	<u>6,828,051</u>
Total net assets	<u>10,147,610</u>	<u>50,910</u>	<u>-</u>	<b><u>10,198,520</u></b>	<u>10,911,910</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 25,868,124</u></b>	<b><u>\$ 2,533,714</u></b>	<b><u>\$ (927,981)</u></b>	<b><u>\$ 27,473,857</u></b>	<b><u>\$ 28,501,585</u></b>

See Independent Accountant's Report on Accompanying Information.

**STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATE  
CONSOLIDATING STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2022 with Comparative Totals for 2021

	Student Assistance Foundation	Workmosis Power, LLC	Consolidating Adjustments	<b>2022</b>	2021
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>					
Revenue and support:					
Management & servicing fee income	\$ 2,990,121	\$ -	\$ -	<b>\$ 2,990,121</b>	\$ 3,400,384
Deferred per escrow agreement	<u>(905,289)</u>	<u>-</u>	<u>-</u>	<b><u>(905,289)</u></b>	<u>(1,227,965)</u>
Net management and servicing fee income	2,084,832	-	-	<b>2,084,832</b>	2,172,419
Programs delivery and support income	1,358,702	-	-	<b>1,358,702</b>	1,230,848
Building management & maintenance income	175,889	-	(175,889)	-	-
Investment (loss) income, net	(758,951)	2	-	<b>(758,949)</b>	1,719,752
Operating lease income	-	572,093	(44,134)	<b>527,959</b>	282,337
Loss on disposal of fixed assets	(1,287)	-	-	<b>(1,287)</b>	(1,500)
Contributions	-	-	-	-	2,000
Other income	<u>36,629</u>	<u>33,450</u>	<u>-</u>	<b><u>70,079</u></b>	<u>48,406</u>
Total revenue and support without donor restrictions	<u>2,895,814</u>	<u>605,545</u>	<u>(220,023)</u>	<b><u>3,281,336</u></b>	<u>5,454,262</u>
Expenses:					
Program operating expenses:					
Servicing and management for MHESAC	1,859,341	-	(29,080)	<b>1,830,261</b>	1,936,801
Delivery and support of RHM	1,294,002	-	(7,255)	<b>1,286,747</b>	1,171,260
Other services	235,517	-	(814)	<b>234,703</b>	114,296
Workmosis Power, LLC	<u>-</u>	<u>591,174</u>	<u>(175,889)</u>	<b><u>415,285</u></b>	<u>209,484</u>
Total program operating expenses	<u>3,388,860</u>	<u>591,174</u>	<u>(213,038)</u>	<b><u>3,766,996</u></b>	<u>3,431,841</u>
Supporting services expense					
Management and general expenses	<u>240,875</u>	<u>(6,160)</u>	<u>(6,985)</u>	<b><u>227,730</u></b>	<u>314,447</u>
Total supporting services expenses	<u>240,875</u>	<u>(6,160)</u>	<u>(6,985)</u>	<b><u>227,730</u></b>	<u>314,447</u>
Total expenses	<u>3,629,735</u>	<u>585,014</u>	<u>(220,023)</u>	<b><u>3,994,726</u></b>	<u>3,746,288</u>
Change in net assets	(733,921)	20,531	-	<b>(713,390)</b>	1,707,974
Net assets at the beginning of the year	<u>10,881,531</u>	<u>30,379</u>	<u>-</u>	<b><u>10,911,910</u></b>	<u>9,203,936</u>
Net assets at the end of the year	<u>\$ 10,147,610</u>	<u>\$ 50,910</u>	<u>\$ -</u>	<b><u>\$ 10,198,520</u></b>	<u>\$ 10,911,910</u>

See Independent Accountant's Report on Accompanying Information.