

**STUDENT ASSISTANCE
FOUNDATION OF MONTANA
AND AFFILIATES**

**CONSOLIDATED FINANCIAL
REPORT**

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Student Assistance Foundation of Montana and Affiliates (the Corporation), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

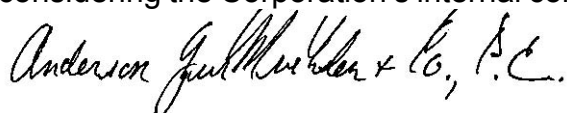
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 32 through 35 and the schedule of consolidated grant and public programs expense on page 36 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 audits 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Helena, Montana
September 14, 2015

CONSOLIDATED FINANCIAL STATEMENTS

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,494,961	\$ 2,355,781
Cash held for clients/partners	7,154,335	3,778,591
Accounts receivable:		
Client & other receivables	1,000,749	1,693,630
Related parties	36,387	27,608
Interest receivable	25,993	18,225
Investments	2,006,999	2,005,807
Prepaid costs, net	264,806	401,336
Total current assets	12,984,230	10,280,978
PROPERTY AND EQUIPMENT, at cost		
Land and building	2,883,045	2,883,045
Building improvements	1,389,296	1,387,496
Equipment and furniture	3,977,780	4,494,109
Leasehold improvements, net	-	9,917
	8,250,121	8,774,567
Less: accumulated depreciation	5,652,240	5,620,420
Total property and equipment	2,597,881	3,154,147
OTHER ASSETS		
Educational loans receivable, net	62,595	79,449
Total other assets	62,595	79,449
OTHER RESTRICTED ASSETS		
Endowment cash and cash equivalents	643,829	332,990
Contributions receivable	22,892	22,514
Endowment interest receivable	-	9
Total other restricted assets	666,721	355,513
Total assets	\$ 16,311,427	\$ 13,870,087

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

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
June 30, 2015 and 2014

	2015	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,123,426	\$ 1,960,330
Funds held for loan servicing clients	7,534,005	4,860,837
Funds held for sponsored organization	32,150	22,225
Grant program liability	24,000	62,001
Compensated absence liability	842,403	821,923
Current obligation under capital lease	41,151	79,177
Current maturities of notes payable	468,636	218,886
Deferred client income	230,936	-
Total current liabilities	10,296,707	8,025,379
LONG-TERM LIABILITIES		
Notes payable, net of current maturities	3,911,503	4,379,835
Obligation under capital lease, net of current maturities	-	41,151
Total long-term liabilities	3,911,503	4,420,986
Total liabilities	14,208,210	12,446,365
NET ASSETS		
Unrestricted:		
Unrestricted, undesignated	1,436,496	1,066,308
Board-designated for endowment	643,829	332,999
Total unrestricted	2,080,325	1,399,307
Temporarily restricted	-	1,901
Permanently restricted	22,892	22,514
Total net assets	2,103,217	1,423,722
TOTAL LIABILITIES AND NET ASSETS	\$ 16,311,427	\$ 13,870,087

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

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
Revenue and Support:		
Management & servicing fee income	\$ 10,607,364	\$ 12,850,735
Interest on educational loans	4,352	(5,517)
Loan servicing income	4,379,382	5,426,045
Royalty income	235,418	413,465
Income from investments		
Investment income	2,565	3,139
Interest on endowment	833	274
Contributions and grants	760,764	299,996
Other income	512,870	442,416
	16,503,548	19,430,553
Net assets released from restrictions	92,791	134,723
Total unrestricted revenue and support	16,596,339	19,565,276
Program Operating Expenses:		
Loan servicing		
Salaries, payroll taxes and employee benefits	9,044,468	11,966,621
Contract sub-servicing fees	1,282,112	1,387,460
Professional services	395,304	517,551
Advertising	-	4,750
Marketing and outreach	2,000	1,500
Contract services and labor	256,240	243,741
Staff travel and training	69,323	120,026
Insurance	74,991	73,897
Office supplies and copier charges	15,766	25,218
Computer charges	557,552	786,392
Telecommunications and utilities	344,856	409,394
Mail, postage and courier	539,640	795,936
Printing	49,975	45,104
Dues, subscriptions and memberships	52,144	81,597
Recruitment and relocation	36,951	52,980
Automobile	1,888	1,534
Repairs, maintenance and service	31,194	42,606
Depreciation	504,347	640,581
Loan fees	5,000	5,000
Operating lease payments	106,303	119,137

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

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended June 30, 2015 and 2014

	2015	2014
Program Operating Expenses (Continued):		
Loan servicing (continued)		
Other costs	260,364	287,686
Interest	<u>222,435</u>	<u>255,005</u>
Total loan servicing	13,852,853	17,863,716
Grants and public purpose program	<u>1,667,870</u>	<u>1,707,250</u>
Total program operating expenses	<u>15,520,723</u>	<u>19,570,966</u>
 Fundraising expenses	 <u>194,913</u>	 <u>187,092</u>
General and administrative expenses:		
Salaries, payroll taxes and employee benefits	94,884	169,038
Board and officer	39,368	45,445
Insurance	19,699	19,327
Income tax expense	893	101,184
Other	<u>44,841</u>	<u>44,228</u>
Total general and administrative expenses	<u>199,685</u>	<u>379,222</u>
Total expenses	<u>15,915,321</u>	<u>20,137,280</u>
Change in unrestricted net assets	681,018	(572,004)
 Extraordinary loss on subsidiary assets written off	 <u>-</u>	 <u>(423,652)</u>
Change in unrestricted net assets, after extraordinary loss	<u>681,018</u>	<u>(995,656)</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Revenue and support:		
Contributions and grants	90,890	132,890
Net assets released from restrictions	<u>(92,791)</u>	<u>(134,723)</u>
Change in temporarily restricted net assets	<u>(1,901)</u>	<u>(1,833)</u>
 PERMANENTLY RESTRICTED NET ASSETS		
Contributions received	<u>378</u>	<u>22,514</u>
Change in permanently restricted net assets	<u>378</u>	<u>22,514</u>
Change in net assets	679,495	(974,975)
Net assets at the beginning of the year	<u>1,423,722</u>	<u>2,398,697</u>
Net assets at the end of the year	<u>\$ 2,103,217</u>	<u>\$ 1,423,722</u>

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

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 679,495	\$ (974,975)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Repayments of educational loans	39,468	33
Contributions receivable	(378)	(22,514)
Non-cash adjustments to educational loans	(22,614)	(226)
Depreciation	539,690	680,369
Leasehold improvement amortization	9,917	9,918
Net loss on disposal of fixed assets	11,684	22,000
Change in investment values	(2)	(43)
Change in assets and liabilities:		
(Increase) decrease in current assets:		
Receivables	684,110	(770,802)
Interest receivable	(7,768)	5,802
Prepaid costs	136,530	312,749
Increase (decrease) in current liabilities:		
Accounts and accrued expenses	(336,904)	(225,639)
Compensated absences	20,480	(259,253)
Refundable grant advance	-	(31,080)
Deferred client income	230,937	-
Grants awarded	(38,001)	(570,165)
Funds held for servicing clients	2,683,092	2,801,167
Net cash flows from operating activities	4,629,736	977,341
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,025)	(44,534)
Purchase of investments	(50,190)	(26,187)
Proceeds from sale of investments	49,000	25,000
Net cash flows from investing activities	(6,215)	(45,721)

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

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	1,150,000
Repayments on line of credit	(500,000)	(650,000)
Repayments on notes/loans payable	(218,581)	(207,391)
Repayments on lease obligations	(79,177)	(98,843)
Net cash flows from financing activities	(797,758)	193,766
Net change in cash and cash equivalents	3,825,763	1,125,386
Cash and cash equivalents, beginning of year	6,467,362	5,341,976
Cash and cash equivalents, end of year	\$ 10,293,125	\$ 6,467,362
Supplemental schedule of noncash investing and financing activities:		
Cash paid for interest	\$ 246,375	\$ 265,551
Cash and cash equivalents are reported on the consolidated statement to financial position as follows:		
Cash and cash equivalents, current	\$ 2,494,961	\$ 2,355,781
Cash held for clients & partners	7,154,335	3,778,591
Endowment cash and cash equivalents	643,829	332,990
	\$ 10,293,125	\$ 6,467,362

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

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

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. SAF provided student loan servicing for up to 5 national clients during the year ended June 30, 2015 and up to 6 national clients during the year ended June 30, 2014. SAF provides financial support as well as a variety of counseling and information services to Montana students in post-secondary education. SAF has two affiliates: Montana Student Loan Funding, LLC (MSLF) a limited liability corporation with SAF as the sole member and Tru Student, Inc. (Tru Student), a wholly owned subsidiary. Tru Student provided student loan servicing for up to 13 national clients during the year ended June 30, 2015 and up to 11 national clients during the year ended June 30, 2014.

On June 28, 2003, MSLF was created as a limited liability corporation with SAF as the sole member. The corporation is a bankruptcy remote company that was formed to acquire and originate student loans. At June 30, 2015, MSLF is essentially an inactive company with no assets or liabilities.

On December 17, 2009, Tru Student was created as a for-profit corporation and was subsequently merged with TS Merger Corporation on June 11, 2010 but retained the Tru Student Inc. name. 1000 shares of stock were authorized with a par value of \$0.01 per share. 500 shares were issued and outstanding at June 30, 2015 and June 30, 2014. The corporation is a bankruptcy remote company that performs student loan servicing functions for private student loans and some activities related to consumer loans.

In 2012, Tru Student entered into a memorandum of understanding with the Department of Education with the intention of becoming a federal contractor as a servicer of Direct Loans. In December 2013, House Joint Resolution 59 became public law and eliminated the opportunity in this line of business for Tru Student. As a result, development costs associated with Direct Loan servicing were either written off or repurposed. This resulted in an extraordinary loss of \$423,652 at June 30, 2014 for the write off of equipment and software that could not be repurposed to other areas of the business.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization and Principles of Consolidation (Continued)

Bankruptcy remote status provides that all debts, obligations and liabilities are solely that of the established company and neither the members, special members nor any managers are obligated for those activities including insolvency of the bankruptcy remote vehicle. SAF owns 100% of the common stock issued by Tru Student at June 30, 2015. The accompanying consolidated financial statements include the accounts of Tru Student. 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.

Income Tax Status

SAF is a not-for-profit corporation exempt from taxation under Internal Revenue Code Section 501(c)(3). Income derived from loan servicing performed for Tru Student FFELP and rehabilitation activity is considered unrelated business income and is subject to taxation. The Corporation recognized a tax rebate of \$341 for the year ended June 30, 2015 and recognized tax expense of \$99,844 for the year ended June 30, 2014.

MSLF is a Limited Liability Company and is a single member disregarded entity that was created to support the activities of MHESAC, a tax-exempt entity under Internal Revenue Code Section 501(c)(3). During the years ended June 30, 2015 and 2014, MSLF was a dormant company with no activity. Accordingly, no provision for income taxes for this activity is necessary in the accompanying financial statements.

Tru Student is a nonpublic for-profit corporation and accounts for income taxes in accordance with GAAP which requires a tax liability to be recorded for any income tax owed for continuing operations or other taxable activity and disclosure of the significant components of income tax expense. The Corporation recognized tax expense of \$1,234 for the year ended June 30, 2015 and \$1,340 for the year ended June 30, 2014. Deferred tax assets and liabilities caused by a difference between the tax basis of an asset or liability and its reported amount are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the new rate enactment date. Income tax credits are accounted for by the flow-through method, which recognizes the credits as reductions of income tax expense in the year utilized.

During the years ended June 30, 2015 and 2014, Tru Student reported an operating loss of \$1,484 and \$1,023,106, respectively, for financial reporting purposes. In addition, during the year ended June 30, 2014 reported a \$423,652 extraordinary loss. The enacted federal and state corporate tax rates at June 30, 2015 were 15-35% and 6.75%, respectively.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

The deferred income tax benefit of the unexpired cumulative net operating loss carry forward of \$4,942,676 for federal tax purposes and \$4,919,655 for state tax purposes is estimated to be \$1,073,433 based on current tax rates. A valuation allowance equal to the deferred income tax benefit has been established due to the uncertainty of assumptions on financial results during the start-up phase of this entity. Management will continue to monitor the impact of this potential benefit as the long term strategic planning develops more fully. The net impact of the deferred income tax benefit and related valuation allowance results in no balances being reported in the accompanying financial statements for this activity.

There are no other significant deferred tax assets or liabilities as of June 30, 2015 or June 30, 2014.

Generally, the returns of the Corporation and its affiliates are no longer subject to review by federal taxing authorities for years prior to the tax year ended June 30, 2012 and Montana taxing authorities for years prior to the tax year ended June 30, 2010.

Accounting Estimates

The preparation of 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 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 three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets are reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation or the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Corporation had no temporarily restricted net assets at June 30, 2015 and \$1,901 at June 30, 2014 (see Note 9).

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation, but permit the use of all or part of the income earned on any related investment for general or specific purposes. The Corporation had \$22,892 and \$22,514 permanently restricted net assets at June 30, 2015 and 2014, respectively.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. There were \$22,892 (net of \$2,108 discount) and \$22,514 (net of \$2,486 discount) unconditional promises to give at June 30, 2015 and 2014, respectively. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give outstanding at June 30, 2015. Payments received on conditional grants are reported as refundable grant advances until the conditions have been met (see Note 16).

Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. Unconditional promises to give, net of discount to present value (at a rate of 1.91%) are due to be collected as follows:

Gross amounts due in:	<u>2015</u>	<u>2014</u>
One year	\$ -	\$ -
One to five years	25,000	25,000
Less discount to present value	<u>(2,108)</u>	<u>(2,486)</u>
Total Contributions Receivable	<u>\$ 22,892</u>	<u>\$ 22,514</u>

The remaining discount will be recognized as contribution income in fiscal years 2016 through 2021 as it is amortized using an effective yield over the duration of the pledged contribution period. The entire contribution receivable is due from one individual. In addition, the Corporation has been informed of the intention for a future bequest of undetermined value that has not been included in the financial statements as it is not considered an unconditional promise.

Marketing, Advertising and Outreach

The Corporation expenses public purpose program marketing, advertising and promotional costs as incurred. Advertising expense of \$35,921 and \$38,172 for the years ended June 30, 2015 and June 30, 2014, respectively, is included in Grants and public purpose program expense. Loan servicing expense included a total of \$2,000 and \$5,332 of marketing and advertising costs in 2015 and 2014, respectively.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of the Corporation's various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fundraising Expenses

Fundraising expenses represent the Corporation's public benefit program solicitation efforts.

Cash and Cash Equivalents

Cash and cash equivalents, including restricted cash and endowment 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.

Accounts Receivable

Accounts receivable consist primarily of servicing and management fees due from MHESAC, loan servicing fees, and receivables from cost sharing arrangements with the Montana Guaranteed Student Loan Program (MGSLP) and Office of the Commissioner of Higher Education (OCHE). No allowance for uncollectible accounts was recorded for June 30, 2015 and June 30, 2014 for servicing fee related receivables as management believed that substantially all accounts are collectible.

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. Equipment under capital lease is capitalized at the net present value of future lease payments and depreciated over the life of the lease. Donated assets are recorded at fair value as of the date of donation and expensed or capitalized similar to purchased assets. Building and building improvements are depreciated using the straight-line method over estimated lives of 20 and 10 years, respectively.

Depreciation expense for the years ended June 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Loan Servicing	\$ 318,355	\$ 421,644
Included in Affiliated Client Expenses	176,075	209,018
Included in Grants and Public Purpose Program Expenses	45,260	49,706
	<u>\$ 539,690</u>	<u>\$ 680,368</u>

Leasehold improvements of \$29,512 were completed on leased property in the year ended June 30, 2013. Amortization expense of \$9,917 and \$9,918 for years ended June 30, 2015 and June 30, 2014, respectively, left no remaining balance in leasehold improvements.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of certificates of deposit, corporate issues, and land that is held for investment. These investments are carried at fair value. Interest and dividends subject to donor restrictions are reported as increases in temporarily restricted net assets. When the restrictions are met, they are reclassified to unrestricted net assets. Unless gains and losses on donor-restricted investments are specifically restricted by the donor, they are reported as increases or decreases in unrestricted net assets.

Interest on Educational Loans

The United States Department of Education makes quarterly interest payments on subsidized Stafford and subsidized Consolidation loans until the borrower is required to begin repayment under the provisions of the Higher Education Act. For Stafford loans, repayment generally begins 6 to 9 months after the student completes his/her course of study, leaves school or fails to carry a minimum academic load. Repayment begins immediately upon full disbursement for Consolidation, PLUS and SLS loans disbursed prior to July 1, 2008. PLUS loan borrowers with loans disbursed on or after July 1, 2008 may choose to begin repayment 6 months after the student, for whom the parent borrowed the funds, ceases to be enrolled at least half-time. In addition, the United States Department of Education pays the interest for subsidized Stafford and subsidized Consolidation loans during the time a borrower is in an authorized deferment period. Authorized deferment periods are specific situations and statuses determined by the United States Department of Education.

Special Allowance Payments

The United States Department of Education provides a special allowance or subsidy to lenders participating in the Federal Family Education Loan Program (FFELP) if the interest rate is below the guaranteed interest rate. Conversely, if the average yield rate is lower than the interest rate paid by the borrower, then the excess portion of the borrower payment is rebated to the federal government. This allowance is paid on the average quarterly unpaid principal balance of student loans, based on an annual rate equal to the average rate of 91-day U.S. Treasury Bills, 3-month Commercial Paper Rates or One-Month LIBOR for that quarter increased by various rates, depending on loan type and origination date. As of June 30, 2015 and 2014, rebates of \$837 and \$808, respectively, were netted in special allowance revenue on the financial statements.

Income Based Repayment (IBR) Plan

During the year ended June 30, 2010, the Income Based Repayment (IBR) Plan was enacted as part of the College Cost Reduction and Access Act of 2007. IBR is a repayment plan option for borrowers with loans in the Direct Loan Program or FFELP. The IBR plan may result in additional subsidy payments by the federal government on behalf of borrowers and a potential discharge of remaining debt balances at the end of 25 years.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Costs

Expenses which are considered to have future benefits are recorded as prepaid assets. Prepaid costs are amortized over the periods benefited.

Loan Measurement & Allowance for Uncollectible Loans

Loans held by the corporation are measured at the outstanding principal amount net of any allowance for credit losses or uncollectible amounts. Estimates for uncollectible amounts are based on outstanding principal amounts and portfolio default rates. (See Note 4 for details on Education Loan Receivable and Uncollectible Loans).

Reclassifications

Certain reclassifications were made to the 2014 financial statements in order to conform to the 2015 presentation. The reclassifications had no effect on the change in net assets or total assets previously reported.

NOTE 2. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits. SAF and Tru Student maintain cash deposits at three financial institutions. Effective January 1, 2013 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, 2015, the carrying amount of those deposits was \$10,768,995 and the bank balance was \$10,949,270 with \$10,119,936 in excess of FDIC insured limits. At June 30, 2014, the carrying amount of those deposits was \$6,941,262 and the bank balance was \$6,666,262 with \$5,722,698 in excess of FDIC insured limits.

NOTE 3. INVESTMENTS

For the years ended June 30, 2015 and 2014 there is no significant difference between cost and fair value for certificate of deposits. The fair value of land held for investment was \$1,456,000 at June 30, 2015 and 2014 with a related cost of \$1,005,198. The fair value measurement used for this valuation was Level 3 – significant unobservable inputs for situations in which there is little, if any, market activity, in the form of a real estate appraisal. Certificates of deposit are not subject to investment categorization requirements (see Note 15).

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 3. INVESTMENTS (CONTINUED)

At June 30, 2015 and 2014, the Corporation had investments consisting of the following:

	<u>2015</u>	<u>2014</u>
Certificates of deposit	\$ 476,969	\$ 475,779
Corporate bonds	74,030	74,028
Land held for investment	<u>1,456,000</u>	<u>1,456,000</u>
Total Investments	<u>\$ 2,006,999</u>	<u>\$ 2,005,807</u>

Components of investment income include the following:

Interest and dividends	<u>\$ 3,398</u>	<u>\$ 3,413</u>
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NOTE 4. EDUCATIONAL LOANS RECEIVABLE & ALLOWANCE FOR LOSSES

The educational loans receivable are classified as student/interim or repayment status. Student/interim status represents the period from the date the educational loan is made until a student is out of school, including the grace period and any authorized deferment periods, at which time repayment status commences.

Educational loans are summarized as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Student/interim status	\$ 92,905	\$ 87,648
Repayment status	-	629
Less allowance for uncollectible loans	<u>(30,310)</u>	<u>(8,828)</u>
Total	<u>\$ 62,595</u>	<u>\$ 79,449</u>

All loans at June 30, 2015 and June 30, 2014 were Stafford loans.

In addition to the special allowance paid by the federal government on certain loans, payments of principal and interest are made by borrowers using the various rates and terms for loans outstanding. Interest on performing loans is accrued on the outstanding principal balance.

Depending on factors specified in the Higher Education Act, educational loans have either fixed or variable interest rates to the borrower and various maximum repayment terms. Fixed interest rates on Consolidation loans are based upon the weighted average interest rates of the loans consolidated rounded up to the nearest one-eighth. Consolidation loans disbursed on or after November 13, 1997 have a maximum interest rate of 8.25%.

Variable interest rates are based upon either the 91 day or one year constant maturity Treasury bill, subject to maximum interest rates ranging from 7.00% to 12.00%. Fixed interest rates range from 3.4% to 8.5% depending on the actual year disbursed and the loan type.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 4. EDUCATIONAL LOANS RECEIVABLE & ALLOWANCE FOR LOSSES
(CONTINUED)

SLS, PLUS, and FISL loans have a maximum repayment term of 10 years. Stafford loans have maximum repayment terms of 10 or 25 years depending on the borrower's original disbursement date and cumulative balance. Consolidation loans have maximum repayment terms of 10 to 30 years depending on the original balance.

Allowance for Uncollectible Loans

Under contracts with the Montana Guaranteed Student Loan Program (MGSLP), other non-Montana guarantors and the United States Department of Education, the loan portfolio is guaranteed reimbursement of principal and accrued interest on defaulted educational loans for which the applicable due diligence procedures have been performed. The Corporation receives 100% reimbursement on loans disbursed prior to October 1, 1993. Loans disbursed from October 1, 1993 until June 30, 2006 are reimbursed at 98% and loans disbursed after June 30, 2006 are reimbursed at 97%.

The Corporation recognizes an allowance for loan losses in an amount believed to be sufficient to absorb losses inherent in the loan portfolio. This provision is based on the current default rates of each segment of the portfolio funding source that is applied to the nonguaranteed portion of the loan portfolio balance.

Defaulted loans are eligible for claims reimbursement after 270 days of delinquency. At this time, default prevention due diligence is conducted in an attempt to prevent the need for claim submission. The corporation files claim prior to the 360th day of delinquency, the deadline required by the guarantor. Interest is accrued on delinquent loans up to the date of claim payment by the guarantor, if applicable.

For the year ended June 30, 2015, Student Assistance Foundation held a loan portfolio of \$92,905. A default rate of 50% was used for loans serviced through a collection agency and a default rate of 10% was used for loans being serviced internally resulting in a provision for uncollectible educational loans of \$30,310 being recorded. For the year ended June 30, 2014 Student Assistance Foundation held a loan portfolio of \$88,277 with an average default rate of 10%, resulting in a provision for uncollectible educational loans of \$8,828 being recorded.

Following is a breakdown by loan guarantor rates of the current loan portfolios held at June 30, 2015 and June 30, 2014:

	<u>2015</u>	<u>2014</u>
100% Guaranteed	\$ 719	\$ 7,020
98% Guaranteed	-	11,595
97% Guaranteed	17,114	17,114
Uninsured	<u>75,072</u>	<u>52,548</u>
Total Portfolio	<u>\$ 92,905</u>	<u>\$ 88,277</u>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 4. EDUCATIONAL LOANS RECEIVABLE & ALLOWANCE FOR LOSSES
(CONTINUED)

No changes were implemented in our accounting policies or methodologies during the year ended June 30, 2015 and 2014.

NOTE 5. LONG-TERM DEBT

At June 30, 2015 and 2014, long term debt consisted of the following:

	<u>2015</u>	<u>2014</u>
Note payable to Valley Bank for building, bearing interest at the rate of 5.00% for first 60 payments payable in monthly installments of \$30,716 and a rate to be reset based on the five-year rate plus 2.5% for the remaining 180 payments in installments necessary to satisfy the loan by its scheduled maturity; secured by real property.	\$ 4,079,381	\$ 4,239,602
Note payable to First Interstate Bank for land, bearing interest at the rate of 6.00% with payments of \$6,528 through March 2016 and a balloon payment for the remainder; secured by land.	<u>300,758</u>	<u>359,119</u>
Total notes payable	<u>4,380,139</u>	4,598,721
Less current maturities	<u>(468,636)</u>	<u>(218,886)</u>
Long-term notes payable	<u>\$ 3,911,503</u>	<u>\$ 4,379,835</u>

Future maturity requirements of long-term debt for the five years subsequent to June 30, 2015 and thereafter are as follows:

2016	\$ 468,636
2017	184,081
2018	193,911
2019	202,637
2020	211,367
Thereafter	<u>3,119,507</u>
	<u>\$ 4,380,139</u>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 6. CAPITAL LEASES

At June 30, 2015, the Corporation held computer equipment under a capital lease containing a purchase option under which the Corporation may purchase the equipment for \$1. Since the Corporation intends to exercise this option, the equipment and the related liability under the capital lease is recorded at acquisition at the present value of the future payments due under the lease. The discount rate used to determine the present value is 5.00%. The related liability under the capital lease at June 30, 2015 and 2014 was \$41,151 and \$120,328, respectively, and is due in monthly installments of \$6,962.

NOTE 7. OPERATING LEASE

At June 30, 2015, the Corporation has one lease for equipment that is classified as an operating lease. At June 30, 2014 the Corporation had two leases for equipment as well as one operating lease for office space that were classified as operating leases. Total rent expense on such leases for the fiscal years ended June 30, 2015 and 2014 was \$106,303 and \$119,137, respectively.

As of June 30, 2015 the future minimum lease payment under an operating lease with an initial or remaining term in excess of one year is as follows:

2016	\$ 5,952
2017	5,952
2018	1,984

NOTE 8. ENDOWMENT

Student Assistance Foundation has established the SAF Permanent Endowment to provide funds for grants and scholarships and funding for additional programs that will enhance access to post-secondary education for Montana students and citizens in the future. The endowment may include both donor-restricted endowment funds and funds generated by SAF from program revenues. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2007, the State of Montana adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Accordingly, SAF classifies as permanently restricted net assets the original value of gifts donated to the endowment and accumulated earnings associated with a specific gift, if required by the donor.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 8. ENDOWMENT (CONTINUED)

In accordance with this policy, the Board made contributions of \$62,000 and \$50,000 in the years ended June 30, 2015 and June 30, 2014, respectively, and earnings of \$830 and \$260 were added during the years ended 2015 and 2014, respectively. By Board action, \$448,000 was temporarily released to fund Access Grants during the year ended June 30, 2014. The Board directed the Endowment Fund would be reimbursed for this temporary distribution as follows:

2014	\$ 200,000
2015	125,000
2016	<u>123,000</u>
	<u>\$ 448,000</u>

The entire temporary distribution was reimbursed by June 30, 2015.

SAF considers the following factors in making a determination to expend donor-restricted endowment funds:

- Preservation of the funds
- Investment policies adopted

To provide an ongoing source of support for SAF's public benefit activities, distributions from the Endowment Fund shall be used to support SAF's programs and educational grants directly benefiting students and shall not be used to support SAF's operating expenses. The Endowment Fund must grow to a minimum level before payout commences. Once the Endowment Fund reaches the minimum level, the Endowment Fund will annually distribute the fund's net income not to exceed 4% of the Endowment Fund's assets based on an average of the preceding three years.

At least annually, and more frequently if warranted, the Programs and Development Committee shall determine the asset allocation between equity, bonds and cash based on market outlook. The Programs and Development Committee will review the Endowment Fund's statements from the institution(s) holding the Endowment Fund assets. The committee will verify these statements monthly to confirm adherence to the proposed asset allocation and will re-balance the Endowment Fund as necessary.

The performance of the Programs and Development Committee strategy shall be measured against the S&P 500 index for stocks and measured against Lehman Brothers for bonds or other appropriate broad based equity or bond indices. Measurement shall be reviewed annually and measured over a 3-year period.

The Corporation classifies as permanently restricted net assets any donor-restricted funds in accordance with the direction of the donor gift instrument. During the year ended June 30, 2014, an endowment with donor imposed restrictions was established (see Note 1 – Contributions Receivable for additional information).

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 8. ENDOWMENT (CONTINUED)

The following describes the composition of net assets of the endowment as of June 30, 2015 and 2014, respectively, and the changes in endowment net assets for the years then ended:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Balance, July 1, 2013	\$ 530,963	\$ -	\$ 530,963
Temporary Distribution	(448,000)	-	(448,000)
Fees paid	(224)	-	(224)
Temporary Distribution repayment	200,000	-	200,000
Contributions	50,000	22,514	72,514
Investment Interest	<u>260</u>	<u>-</u>	<u>260</u>
Balance, June 30, 2014	332,999	22,514	355,513
Temporary Distribution repayment	248,000	-	248,000
Contributions	62,000	378	62,378
Investment Interest	<u>830</u>	<u>-</u>	<u>830</u>
Balance, June 30, 2015	<u>\$ 643,829</u>	<u>\$ 22,892</u>	<u>\$ 666,721</u>

NOTE 9. NET ASSETS

At June 30 net assets consist of the following:

Unrestricted:	<u>2015</u>	<u>2014</u>
Undesignated	\$ 1,436,496	\$ 1,066,308
Board designated for endowment	<u>643,829</u>	<u>332,999</u>
Total unrestricted	<u>2,080,325</u>	<u>1,399,307</u>
Temporarily Restricted:		
Special Events Grant Program (SEGP)	<u>-</u>	<u>1,901</u>
Total temporarily restricted	<u>-</u>	<u>1,901</u>
Permanently Restricted:		
Donor Restricted Endowment Funds	<u>22,892</u>	<u>22,514</u>
Total permanently restricted	<u>22,892</u>	<u>22,514</u>
Total net assets	<u>\$ 2,103,217</u>	<u>\$ 1,423,722</u>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 9. NET ASSETS (CONTINUED)

During the year ended June 30, 2015 and 2014, temporarily restricted net assets were released from restrictions as follows:

Expiration of donor restriction by expenditure for:	<u>2015</u>	<u>2014</u>
Circle of Success (Access Circle)	\$ 54,299	\$ 39,340
College Goal Montana	14,003	20,546
GOAL 2025	-	25,534
High School Business Challenge	5,875	6,750
Run Amuck	1,901	4,333
Disaster Preparedness	-	1,431
ETV Foster Care	<u>16,713</u>	<u>36,789</u>
Total temporarily restricted net assets released	<u>\$ 92,791</u>	<u>\$ 134,723</u>

NOTE 10. RETIREMENT PLAN

Effective February 1, 2000, the MHESAC 403(b) Tax Sheltered Investment Program was amended and renamed the Student Assistance Foundation of Montana 403(b) Tax Sheltered Investment Program. In June 2010, the Student Assistance Foundation of Montana 401(k) Plan was adopted and the 403(b) plan “frozen” with no additional contributions allowed to that plan. As with the 403(b) plan, the 401(k) plan is a defined contribution pension 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. Effective July 1, 2014, the contribution rate changed to be up to five percent of the participant’s salary. Contributions began into the 401(k) plan in June 2010. SAF incurred pension costs of \$303,405 in the year ended June 30, 2015 and \$440,254 in the year ended June 30, 2014. Tru Student adopted the SAF plan for Tru Student employees as well during the year ended June 30, 2012. Tru Student incurred pension costs of \$31,740 in the year ended June 30, 2015 and \$69,442 in the year ended June 30, 2014.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Management and Servicing Agreements

SAF has entered into management and servicing agreements with MHESAC. SAF provides portfolio servicing for a term equal to the life of each of MHESAC’s related financings. Management services will be provided to MHESAC for an 18-year term beginning February 1, 2000.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Management and Servicing Agreements (Continued)

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, for the period prior to February 1, 2003, fifteen percent of these costs. The servicing contract is for the life of the outstanding bonds.

For each successive three-year period the mark-up percentage of such cost is mutually agreed upon by MHESAC and SAF, but in no event will it be less than five percent. For the three year period beginning July 1, 2012, MHESAC and SAF agreed to continue the mark-up percentage at fifteen percent along with an efficiency incentive to provide a cost savings sharing opportunity and a maximum based on a percentage of the weighted average principal balance. The same terms were extended to December 31, 2015.

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, 2015 and 2014, SAF billed MHESAC \$10,751,984 and \$13,373,924, respectively. At June 30, 2015 and 2014, the reconciliation for billed and actual costs resulted in a balance payable to MHESAC and a balance receivable from MHESAC of \$68,140 and \$187,775, respectively. These balances are included in 2015 and 2014 client payables and receivables, respectively.

SAF has entered into servicing agreements with Tru Student. The cost of these services is a monthly fee based on the contractual agreements Tru Student has with their clients. During the years ended June 30, 2015 and 2014, SAF billed Tru Student \$2,091,133 and \$2,687,192 respectively. At June 30, 2015 and 2014, the reconciliation for billed and actual costs resulted in a balance payable to SAF of \$349,225 and \$616,515, respectively. Tru Student also paid rent for office space in the SAF building, administrative fees, IT service/equipment rental fees, allocated, indirect cost fee and common paymaster expenses. At June 30, 2015 and 2014, the reconciliation for billed and actual costs resulted in a balance payable to SAF of \$59,959 and \$41,799 respectively.

SAF paid Tru Student client relation fees, contract fees and common paymaster expenses. At June 30, 2015 and 2014, the reconciliation for billed and actual costs resulted in a balance payable to Tru Student of \$76,958 and \$17,112 respectively

All significant intercompany transactions and accounts have been eliminated.

Group Benefits Plan

SAF provides a medical and dental insurance coverage plan for its employees. Effective July 1, 2007, SAF opted for an insured plan to include medical and vision coverage with Allegiance, and opted for a dental and life insurance with Assurant on July 1, 2013. Tru Student adopted the SAF group benefit plan for its employees as well.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Line of Credit

On December 10, 2010, SAF extended a bank line of credit with First Interstate Bank, originally secured on April 3, 2003 for operating purposes. The \$1,000,000 line is secured by a certificate of deposit. Interest on the line is charged at 5.0%. On June 30, 2015 and 2014 there was no balance outstanding on the line. The credit agreement expires on December 1, 2015.

On August 18, 2011, two lines of credit were established for Tru Student with Valley Bank. The lines of credit totaling \$1,750,000 were established with an interest rate of 5.2%. One of the lines of credit was extended for \$500,000 on December 19, 2014. This line of credit expires on December 1, 2015. On June 30, 2015 and June 30, 2014 there were zero and \$500,000 balances outstanding on the line of credit, respectively.

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 requires PHEAA to maintain the remote system in accordance with Title IV of the Higher Education Act of 1965, as amended. Subsequent amendments to the original agreement on February 1, 2004 extend the term of the agreement through January 31, 2015 with a provision for automatic one year renewal unless either party provides a written notice of intent to terminate the agreement at least 180 days prior to the scheduled termination date. Fees for access and maintenance of the remote system vary depending on volume and services provided. PHEAA also acts as back-up third party servicer for certain loans based on an agreement originally dated November 9, 2011.

NOTE 12. 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 11. For fiscal year 2015, SAF had one of its eight board members in common with MHESAC's seven board members. Effective February 1, 2000, MHESAC transferred, for fair value, all of its operations and non-financial assets, including personnel, all furniture and equipment, as well as its interest in the office building and land, to SAF.

SAF Relationship with Tru Student

On September 1, 2011, SAF executed an agreement with Tru Student providing for a 5-year operating loan of \$2,250,000 to Tru Student with an interest rate of 5.00%. A resolution was passed by the Tru Student and SAF Board of Directors in July 2012, amending the note repayment schedule to extend the interest only payment option through December 2013 with interest and principal payments commencing in January 2014.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 12. RELATED PARTY TRANSACTIONS (CONTINUED)

SAF Relationship with Tru Student (Continued)

Through Tru Student and SAF Board of Directors action in April 2013, the note repayment schedule was amended to delay all interest or principal payments through December 2014 with interest and principal payments commencing in January 2015. Both boards took action in October 2013 to add \$600,000 to the principal operating loan.

On August 13, 2014, the SAF Board of Directors voted to invest additional funds into Tru Student in the amount of \$2,850,000. The activity was recorded as additional paid in capital for Tru Student and was used to satisfy its loan obligation to SAF. In addition, the SAF Board of Directors voted to forgive the accumulated interest of \$175,644 related to this loan owed by Tru Student. This inter-company activity is eliminated in the consolidated financial statements.

On September 1, 2011, SAF purchased 100 shares of Tru Student common stock with a par value of \$0.01 per share resulting in a total of 400 shares of stock being issued and outstanding. The common stock purchase totaled \$500,000 and resulted in an increase of additional paid in capital of \$499,999. Tru Student satisfied the outstanding advance owed SAF at June 30, 2011 with the proceeds from this transaction. On May 15, 2013 SAF purchased an additional 100 shares of Tru Student common stock with a par value of \$0.01 per share resulting in a total of 500 shares of stock being issued and outstanding. The common stock purchase totaled \$500,000 and resulted in an increase of additional paid in capital of \$499,999.

In 2010 SAF entered into an agreement with Tru Student to provide servicing functions to Tru Student as described in Note 11. SAF also has agreements with Tru Student to provide administrative and IT services. During fiscal year 2015, SAF had one of its eight board members in common with Tru Student's five board members.

Shared Cost Agreements

The Corporation has a sublease and shared cost agreement with MGSLP and OCHE, both agencies of the Board of Regents of Montana. The costs shared are primarily related to computer operations, personnel and building operations.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 12. RELATED PARTY TRANSACTIONS (CONTINUED)

Shared Cost Agreements (Continued)

The sublease and shared cost amounts and the related accounts receivable and accounts payable were as follows for the year ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Sublease and Shared Costs		
Payments from:		
MGSLP	\$ 322,597	\$ 285,304
OCHE	265,427	258,422
Accounts receivable:		
Payments due from:		
MGSLP	27,429	19,130
OCHE	8,958	8,478

Total net receivables/payables from these agreements, was \$36,387 at June 30, 2015 and \$27,608 at June 30, 2014.

NOTE 13. 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 14. MAJOR CUSTOMER

Fees from MHESAC accounted for 68% and 69% of SAF's total revenues for the years ended June 30, 2015 and 2014, respectively. There was no receivable for MHESAC outstanding at June 30, 2015 and June 30, 2014.

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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;

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.

The following are the assets and liabilities measured on a recurring basis as of and for the year ended June 30, 2015 and 2014. There were no transfers between Levels 1 and 2 in 2015 or 2014.

<u>Financial Instrument</u>	<u>Fair and Carrying Value</u>	<u>Significant Unobservable Inputs (Level 3)</u>
2015:		
<u>Assets:</u>		
Land Held for Investment	\$ 1,456,000	\$ 1,456,000
2014:		
<u>Assets:</u>		
Land Held for Investment	1,456,000	1,456,000

The following valuation methods are used to determine the fair value of the above items on a recurring basis:

Land Held for Investment

The fair value measurement used for land held for investment is a real estate market valuation (market approach).

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015 and 2014

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

GAAP also requires disclosure of estimated fair values for other financial instruments recognized at amounts other than fair value and the methods used to determine those values:

	<u>2015</u>		<u>2014</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Interest receivable	\$ 25,993	\$ 25,993	\$ 18,234	\$ 18,234
Contributions receivable	22,892	22,892	22,514	22,514
Investments – certificates of deposit	476,969	476,969	475,779	475,779
Corporate issues	74,030	74,030	74,028	74,028
Educational loans receivable	<u>92,905</u>	<u>90,615</u>	<u>88,277</u>	<u>88,277</u>
Total financial assets	<u>\$ 692,789</u>	<u>\$ 690,499</u>	<u>\$ 678,832</u>	<u>\$ 678,832</u>
	<u>2015</u>		<u>2014</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial liabilities:				
Funds held for servicing client	\$ 7,534,005	\$ 7,534,005	\$ 4,860,837	\$ 4,860,837
Notes payable	4,380,139	4,380,139	4,598,721	4,598,721
Capital lease obligations	<u>41,151</u>	<u>41,151</u>	<u>120,328</u>	<u>120,328</u>
Total financial liabilities	<u>\$ 11,955,295</u>	<u>\$ 11,955,295</u>	<u>\$ 9,579,886</u>	<u>\$ 9,579,886</u>

The following is a description of the methods used to estimate the above fair values:

Cash and Cash Equivalents

The carrying amount for cash and cash equivalents is considered to approximate fair value at June 30, 2015.

Interest Receivable and Payable

The carrying amounts of interest receivable and payable are considered to approximate fair value at June 30, 2015, given their short-term nature. The fair value hierarchy used in this determination is the same as the underlying asset or liability.

Investments – Certificates of Deposit and Corporate Issues

The carrying amount of certificates of deposit is considered to approximate fair value. The fair value of corporate issues (consisting of bonds and securities) is derived from a market approach and trading values of the instruments.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Educational Loans Receivable

The fair value was estimated by discounting the future cash flows using current rates of return required by investors in similar assets. A number of significant inputs into the models are internally derived and not observable to market participants. Management considers fair value of these instruments to approximate carrying value.

Obligations under Capital Lease

Carrying value of the various leases is calculated as the net present value of the future payments as of the report date as more fully described in Note 6. Management considers fair value of these instruments to approximate carrying value.

Funds Held for Servicing Client

Carrying value of these funds is the balance of cash received for principal and interest payments on educational loans receivable serviced under contract but not yet remitted to lender clients. Management considers fair value of these instruments to approximate carrying value.

Notes Payable

At the date of inception, the rate for the real estate note payable was determined by averaging the corporate borrowing rate for comparable companies for notes of similar maturities. Other notes payable are carried at current balances due. Management considers fair value of these instruments to approximate cost.

NOTE 16. REFUNDABLE GRANT ADVANCES

In November, 2011, a one-year grant of \$98,800 was received from the Lumina Foundation for the KnowHow2Go grant. Eight months of revenue totaling \$65,866 was recognized in the year ended June 30, 2012 with the remaining \$32,934 recorded as a refundable grant advance. The Lumina Foundation extended the KnowHow2Go grant through December 31, 2013. Revenue totaling \$7,400 was recognized in the year ended June 30, 2013 with \$25,534 recorded as a refundable grant advance. The remaining revenue totaling \$25,534 was recognized in the year ended June 30, 2014.

In December, 2012, a one-year grant of \$15,000 was received from United Student Aid Funds, Incorporated to support the College Goal Montana Program. Revenue totaling \$9,454 was recognized in the year ended June 30, 2013 with the remaining \$5,546 recorded as a refundable grant advance. Revenue totaling \$5,546 was recognized in the year end June 30, 2014.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE 17. OTHER GRANT ACTIVITY

In November, 2013 SAF was the recipient of a financial literacy grant of \$844,195 to provide services for the Family Economic Security (FES)-TANF Financial Services program. In January, 2014 SAF entered into a contract beginning January 1, 2014 and ending June 30, 2015. This contract is renewable for three additional one-year terms not to extend beyond June 30, 2017. The contract was renewed from July 1, 2015 through June 30, 2016. This grant is used to deliver financial literacy education to eligible low-income high school students in six regions throughout the State. Revenue totaling \$236,318 was recognized in the year ended June 30, 2015 and \$34,211 in the year ended June 30, 2014.

In June, 2014 SAF entered into a Memorandum of Agreement with The Office of the Commissioner of Higher Education (OCHE) by which grant funds will be disbursed for the College Access Challenge Grant (CACG) Financial Literacy Education Program. SAF was the recipient of \$200,000 to be used to increase early awareness of postsecondary education. This agreement was in effect from June, 2014 through June, 2015. No revenue was recognized in the year ended June 30, 2014. Revenue totaling \$177,883 was recognized in the year ended June 30, 2015 with the remaining funds being due back to OCHE.

Since fiscal year 2006, SAF has been the recipient of the Chaffee grant education and training voucher program grant. The grant provides for the delivery of Educational Training Vouchers (ETV) funds, development and delivery of college and life skills prep program and promotion of the use of ETV and other financial aid resources. Revenue totaling \$254,180 was recognized in the year ended June 30, 2015.

NOTE 18. SUBSEQUENT EVENTS

Group Benefits Plan

Effective July 1, 2015, SAF opted for a medical insurance plan with Pacific Source. Tru Student adopted the Pacific Source plan for its employees as well.

Additional Events

Management has evaluated subsequent events through September 14, 2015, the date which the financial statements were available for issue and did not identify any further events to disclose.

ACCOMPANYING INFORMATION

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2015 with Comparative Totals for 2014

ASSETS	Student Assistance Foundation	Tru Student	Consolidating Adjustments	Consolidated	
				2015	2014
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,460,042	\$ 34,919	\$ -	\$ 2,494,961	\$ 2,355,781
Cash held for clients/partners	2,996,251	4,158,084		7,154,335	3,778,591
Accounts receivable:					
Student Assistance Foundation	-	76,958	(76,958)	-	-
Tru Student	409,184	-	(409,184)	-	-
Client & other receivables	696,971	303,778	-	1,000,749	1,693,630
Related parties	36,387	-	-	36,387	27,608
Interest receivable	25,993	-	-	25,993	18,225
Investments	6,608,776	-	(4,601,777)	2,006,999	2,005,807
Prepaid costs, net	264,806	-	-	264,806	401,336
Total current assets	<u>13,498,410</u>	<u>4,573,739</u>	<u>(5,087,919)</u>	<u>12,984,230</u>	<u>10,280,978</u>
PROPERTY AND EQUIPMENT, at cost					
Land and building	2,883,045	-	-	2,883,045	2,883,045
Building improvements	1,389,296	-	-	1,389,296	1,387,496
Equipment and furniture	3,977,200	580	-	3,977,780	4,494,109
Leasehold improvements, net	-	-	-	-	9,917
	8,249,541	580	-	8,250,121	8,774,567
Less: accumulated depreciation	5,651,689	551	-	5,652,240	5,620,420
Total property and equipment	<u>2,597,852</u>	<u>29</u>	<u>-</u>	<u>2,597,881</u>	<u>3,154,147</u>
OTHER ASSETS					
Educational loans receivable					
Student loans receivable	92,905	-	-	92,905	88,277
Less: uncollectible accounts allowance	30,310	-	-	30,310	8,828
Total other assets	<u>62,595</u>	<u>-</u>	<u>-</u>	<u>62,595</u>	<u>79,449</u>
OTHER RESTRICTED ASSETS					
Endowment cash and cash equivalents	643,829	-	-	643,829	332,990
Contributions receivable	22,892	-	-	22,892	22,514
Endowment interest receivable	-	-	-	-	9
Total other restricted assets	<u>666,721</u>	<u>-</u>	<u>-</u>	<u>666,721</u>	<u>355,513</u>
Total assets	<u>\$ 16,825,578</u>	<u>\$ 4,573,768</u>	<u>\$ (5,087,919)</u>	<u>\$ 16,311,427</u>	<u>\$ 13,870,087</u>

See Independent Auditor's Report on Accompanying Information.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
June 30, 2015 with Comparative Totals for 2014

LIABILITIES AND NET ASSETS	Student Assistance Foundation	Tru Student	Consolidating Adjustments	Consolidated	
				2015	2014
CURRENT LIABILITIES					
Other accounts payable and accrued expenses	\$ 1,122,098	\$ 487,470	\$ (486,142)	\$ 1,123,426	\$ 1,960,330
Funds held for loan servicing client	3,375,921	4,158,084	-	7,534,005	4,860,837
Funds held for sponsored organization	32,150	-	-	32,150	22,225
Grant program liability	24,000	-	-	24,000	62,001
Compensated absence liability	785,495	56,908	-	842,403	821,923
Current obligation under capital lease	41,151	-	-	41,151	79,177
Current maturities of notes payable	468,636	-	-	468,636	218,886
Deferred client income	-	230,936	-	230,936	-
Total current liabilities	<u>5,849,451</u>	<u>4,933,398</u>	<u>(486,142)</u>	<u>10,296,707</u>	<u>8,025,379</u>
LONG-TERM LIABILITIES					
Notes payable, net of current maturities	3,911,503	-	-	3,911,503	4,379,835
Obligation under capital lease, net of current maturities	-	-	-	-	41,151
Total long-term liabilities	<u>3,911,503</u>	<u>-</u>	<u>-</u>	<u>3,911,503</u>	<u>4,420,986</u>
Total liabilities	<u>9,760,954</u>	<u>4,933,398</u>	<u>(486,142)</u>	<u>14,208,210</u>	<u>12,446,365</u>
NET ASSETS					
Capital stock, common, \$.01 par	-	5	(5)	-	-
Additional paid-in-capital	-	4,601,772	(4,601,772)	-	-
Unrestricted:					
Undesignated, unrestricted	6,397,903	(4,961,407)	-	1,436,496	1,066,308
Board designated for endowment	<u>643,829</u>	<u>-</u>	<u>-</u>	<u>643,829</u>	<u>332,999</u>
Total unrestricted	7,041,732	(359,630)	(4,601,777)	2,080,325	1,399,307
Temporarily restricted	-	-	-	-	1,901
Permanently restricted	<u>22,892</u>	<u>-</u>	<u>-</u>	<u>22,892</u>	<u>22,514</u>
Total net assets	<u>7,064,624</u>	<u>(359,630)</u>	<u>(4,601,777)</u>	<u>2,103,217</u>	<u>1,423,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,825,578</u>	<u>\$ 4,573,768</u>	<u>\$ (5,087,919)</u>	<u>\$ 16,311,427</u>	<u>\$ 13,870,087</u>

See Independent Auditor's Report on Accompanying Information.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2015 with Comparative Totals for 2014

	Student Assistance Foundation	Tru Student	Consolidating Adjustments	Consolidated	
				2015	2014
UNRESTRICTED NET ASSETS					
Revenue and Support:					
Management & servicing fee income	\$ 10,607,364	\$ -	\$ -	\$ 10,607,364	\$ 12,850,735
Interest on educational loans	4,352	-	-	4,352	(5,517)
Loan servicing income	3,056,729	3,413,786	(2,091,133)	4,379,382	5,426,045
Royalty income	235,418	-	-	235,418	413,465
Income from investments					
Investment Income	2,565	-	-	2,565	3,139
Interest on endowment	833	-	-	833	274
Loan interest income	16,788	-	(16,788)	-	-
Parent support/forgiveness of debt income	-	268,058	(268,058)	-	-
Intercompany contract revenue	58,400	49,001	(107,401)	-	-
Contributions and grants	760,764	-	-	760,764	299,996
Other income	689,280	-	(176,410)	512,870	442,416
	<u>15,432,493</u>	<u>3,730,845</u>	<u>(2,659,790)</u>	<u>16,503,548</u>	<u>19,430,553</u>
Net assets released from restrictions	92,791	-	-	92,791	134,723
Total unrestricted revenue and support	<u>15,525,284</u>	<u>3,730,845</u>	<u>(2,659,790)</u>	<u>16,596,339</u>	<u>19,565,276</u>
Program Operating Expenses:					
Loan Servicing					
Salaries, payroll taxes and employee benefits	8,045,473	998,995	-	9,044,468	11,966,621
Contract sub-servicing fees	1,229,209	2,144,036	(2,091,133)	1,282,112	1,387,460
Professional services	349,743	45,561	-	395,304	517,551
Advertising	-	-	-	-	4,750
Marketing and outreach	2,000	-	-	2,000	1,500
Contract services and labor	184,084	179,557	(107,401)	256,240	243,741
Staff travel and training	67,143	2,180	-	69,323	120,026
Insurance	71,682	3,309	-	74,991	73,897
Office supplies and copier charges	14,418	1,348	-	15,766	25,218
Computer charges	540,141	151,754	(134,343)	557,552	786,392
Telecommunications and utilities	322,261	22,595	-	344,856	409,394
Mail, postage and courier	484,923	54,717	-	539,640	795,936
Printing	45,188	4,787	-	49,975	45,104
Dues, subscriptions and memberships	49,971	2,173	-	52,144	81,597
Recruitment and relocation	36,870	81	-	36,951	52,980
Automobile	1,748	140	-	1,888	1,534
Repairs, maintenance and service	28,690	11,361	(8,857)	31,194	42,606
Depreciation	484,248	20,099	-	504,347	640,581
Loan fees	5,000	-	-	5,000	5,000
Operating lease payments	106,303	-	-	106,303	119,137
Subsidiary support/forgiveness of debt	268,058	-	(268,058)	-	-
Other costs	251,692	41,882	(33,210)	260,364	287,686
Interest	204,025	35,198	(16,788)	222,435	255,005
Total loan servicing	<u>12,792,870</u>	<u>3,719,773</u>	<u>(2,659,790)</u>	<u>13,852,853</u>	<u>17,863,716</u>
Grants and public purpose program	<u>1,667,870</u>	<u>-</u>	<u>-</u>	<u>1,667,870</u>	<u>1,707,250</u>
Total program operating expenses	<u>14,460,740</u>	<u>3,719,773</u>	<u>(2,659,790)</u>	<u>15,520,723</u>	<u>19,570,966</u>

See Independent Auditor's Report on Accompanying Information.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)
For the Year Ended June 30, 2015 with Comparative Totals for 2014

	Student Assistance Foundation	Tru Student	Consolidating Adjustments	Consolidated	
				2015	2014
Fundraising Expenses	194,913	-	-	194,913	187,092
General and Administrative Expenses:					
Salaries, payroll taxes and employee benefits	94,884	-	-	94,884	169,038
Board and officer	28,046	11,322	-	39,368	45,445
Professional services	-	-	-	-	-
Insurance	19,699	-	-	19,699	19,327
Income taxes	(341)	1,234	-	893	101,184
Other	44,841	-	-	44,841	44,228
Total general and administrative expenses	187,129	12,556	-	199,685	379,222
Total expenses	14,842,782	3,732,329	(2,659,790)	15,915,321	20,137,280
Change in unrestricted net assets before extraordinary loss	682,502	(1,484)	-	681,018	(572,004)
Extraordinary loss on subsidiary assets written off	-	-	-	-	(423,652)
Change in unrestricted net assets after extraordinary loss	682,502	(1,484)	-	681,018	(995,656)
TEMPORARILY RESTRICTED NET ASSETS					
Revenue and Support:					
Contributions and grants	90,890	-	-	90,890	132,890
Net assets released from restrictions	(92,791)	-	-	(92,791)	(134,723)
Change in temporarily restricted net assets	(1,901)	-	-	(1,901)	(1,833)
PERMANENTLY RESTRICTED NET ASSETS					
Contributions received	378	-	-	378	22,514
Change in permanently restricted net assets	378	-	-	378	22,514
Change in net assets	680,979	(1,484)	-	679,495	(974,975)
Net assets at the beginning of the year	6,383,645	(3,708,146)	(1,251,777)	1,423,722	2,398,697
Contributed capital	-	3,350,000	(3,350,000)	-	-
Net assets at the end of the year	<u>\$ 7,064,624</u>	<u>\$ (359,630)</u>	<u>\$ (4,601,777)</u>	<u>\$ 2,103,217</u>	<u>\$ 1,423,722</u>

See Independent Auditor's Report on Accompanying Information.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
SCHEDULE OF CONSOLIDATED GRANT AND PUBLIC PROGRAMS EXPENSE
For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating & overhead expenses		
Program administration	\$ 499,569	\$ 459,556
Campus outreach		
Outreach staff & offices	281,570	563,600
Outreach program		
College Access Challenge Grant	128,173	-
College Goal Montana	42,315	63,887
FES Grant	265,714	43,997
Foster Care Program	309,509	242,907
Montana College Access/KnowHow2Go	-	19,276
Grants awarded		
Circle of Success	62,000	71,334
Graduation Matters	50,070	50,650
University of Montana - Western	-	2,500
Youth Serve Montana	(10,000)	50,000
Scholarships		
Bozeman School Foundation	-	10,000
Custer County Education Foundation	-	5,000
High School Business Challenge	16,500	9,750
Jobs for Montana Graduates	-	2,500
Miscellaneous Scholarships	500	1,750
Sponsorships		
Career Training Institute	-	2,000
DonorChoose.org	-	5,143
Exploration Works	1,000	5,500
Flathead Valley Community College Foundation	-	5,000
Governor's Office of Community Service	1,000	-
Grand Street Theatre	-	5,000
Helena Education Foundation	-	10,000
Helena Family YMCA	2,500	2,500
Helena Symphony	1,000	1,000
Kalispell Education Foundation	-	2,500
Leadership Montana	-	7,000
MAPS Media Institute	-	10,000
Mariah's Challenge School Fund	-	2,500
Miscellaneous Sponsorships	3,400	7,150
Montana Association of Student Aid Administrators	1,050	-
Montana Chamber of Commerce	-	3,250
Montana Credit Unions for Community Development	2,000	-
Montana Professional Teaching Foundation	-	3,500
Montana Post Secondary Educational Opportunity Council	8,000	15,000
Museum of the Rockies	-	5,000
Office of Public Instruction	-	2,500
One Montana	-	10,000
Rural Dynamics	-	2,500
Spectrum	-	3,500
University of Montana, Not in Our State	1,000	-
United Way of Missoula	1,000	-
	\$ 1,667,870	\$ 1,707,250

See Independent Auditor's Report on Accompanying Information.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Student Assistance Foundation of Montana and Affiliates (the Corporation) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 14, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Helena, Montana
September 14, 2015