

STUDENT ASSISTANCE
FOUNDATION OF MONTANA

AND AFFILIATES

CONSOLIDATED FINANCIAL
REPORT

JUNE 30, 2010

C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS.....	I
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2 and 3
Consolidated Statements of Activities	4 and 5
Consolidated Statements of Cash Flows.....	6 and 7
Notes to Consolidated Financial Statements.....	8 to 31
ACCOMPANYING INFORMATION.....	32
INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION	33
Consolidating Schedule of Financial Position.....	34 and 35
Consolidating Schedules of Activities.....	36 and 37
Schedule of Consolidated Grant and Public Programs Expense.....	38



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Student Assistance Foundation
of Montana
Helena, Montana 59601

We have audited the accompanying consolidated statements of financial position of Student Assistance Foundation of Montana and Affiliates (the Corporation) as of June 30, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Student Assistance Foundation of Montana and Affiliates as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

A handwritten signature in black ink that reads "Anderson Zurmuehlen & Co., P.C." in a cursive script.

Helena, Montana
September 16, 2010

CONSOLIDATED FINANCIAL STATEMENTS

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,801,058	\$ 3,842,067
Accounts receivable:		
Lender services	9,578	3,110
Other client & miscellaneous receivables	441,060	1,334,633
Related parties	76,799	46,696
Interest receivable	2,764,785	3,106,839
Investments	1,991,188	1,835,120
Prepaid costs, net	442,564	408,511
Total current assets	12,527,032	10,576,976
PROPERTY AND EQUIPMENT, at cost		
Land and building	2,883,045	2,883,045
Building improvements	1,227,878	1,098,201
Construction work in progress	55,003	-
Equipment and furniture	3,752,905	3,251,935
	7,918,831	7,233,181
Less: accumulated depreciation	4,015,780	3,633,876
Total property and equipment	3,903,051	3,599,305
OTHER RESTRICTED ASSETS		
Cash and cash equivalents	5,092,784	2,812,122
Endowment cash and cash equivalents	121,627	60,567
Endowment interest receivable	1,198	-
Educational loans receivable, net	207,378,631	217,741,613
Prepaid costs, net	3,000	3,000
Total other restricted assets	212,597,240	220,617,302
Total Assets	\$ 229,027,323	\$ 234,793,583

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

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,926,762	\$ 1,799,162
Funds held for loan servicing clients	3,451,858	2,302,084
Special allowance payment payable	1,193,446	1,264,090
Accrued interest payable	71,513	122,555
Grant program liability	1,251,000	1,219,292
Compensated absence liability	991,806	1,035,203
Current obligation under capital lease	65,134	68,707
Refundable grant advance	47,900	-
Current maturities of notes payable	852,128	1,022,788
Current maturities of MSLF line of credit:		
MSLF line of credit payable	219,076,598	227,151,598
Less fair value adjustment	(5,433,412)	(5,075,050)
Total current liabilities	<u>223,494,733</u>	<u>230,910,429</u>
LONG-TERM LIABILITIES		
Notes payable, net of current maturities	1,943,556	2,235,179
Refundable grant advance	49,700	-
Obligation under capital lease	149,126	214,260
Total long-term liabilities	<u>2,142,382</u>	<u>2,449,439</u>
Total Liabilities	<u>225,637,115</u>	<u>233,359,868</u>
NET ASSETS		
Unrestricted, undesignated	3,256,383	1,372,098
Board-designated for endowment	122,825	60,567
Temporarily restricted	11,000	1,050
Total net assets	<u>3,390,208</u>	<u>1,433,715</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 229,027,323</u>	<u>\$ 234,793,583</u>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2010 and 2009

	2010	2009
UNRESTRICTED NET ASSETS		
Revenue and Support:		
Management & servicing fee income	\$ 15,273,908	\$ 17,148,224
Interest on educational loans	5,238,686	8,856,386
Loan servicing income	3,648,121	2,610,098
Lender services income	263,590	301,432
Income from investments		
Investment income	12,863	54,549
Interest on endowment	1,758	567
Unrealized gain on land valuation	79,000	177,000
Unrealized loss on loan valuation	-	(6,293,277)
Unrealized gain on MSLF line of credit	358,362	1,066,204
Contributions & grants received	28,268	45,454
Other income	633,619	558,479
	25,538,175	24,525,116
Net assets released from restrictions	270,705	282,145
Total unrestricted revenue and support	25,808,880	24,807,261
 Program Operating Expenses:		
Loan servicing		
Salaries, payroll taxes and employee benefits	10,259,800	10,083,132
Contract sub-servicing fees	2,020,776	1,853,040
Professional services	693,909	428,266
Advertising	66,211	43,425
Marketing and outreach	3,594	5,103
Contract services and labor	318,324	131,531
Staff travel and training	242,566	254,107
Insurance	73,723	77,062
Office supplies and copier charges	75,134	64,975
Computer charges	635,734	605,359
Telecommunications and utilities	293,308	273,816
Mail, postage and courier	636,803	580,697
Printing	54,684	107,766
Dues, subscriptions and memberships	76,547	78,390
Recruitment and relocation	3,727	1,842
Automobile expense	2,076	1,222
Repairs, maintenance and service	54,298	66,828
Depreciation	470,857	432,070
Amortization of prepaid costs	-	121,024
Conversion costs	1,982,132	2,058,929

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

	<u>2010</u>	<u>2009</u>
Program Operating Expenses (Continued):		
Loan servicing (continued)		
Loan fees	971,701	1,296,857
Operating lease payments	93,905	397,266
Other costs	348,372	284,876
Interest expense	1,016,283	5,464,707
Grants and public purpose program	2,841,818	2,791,268
Lender services expenses	93,142	184,696
Total program operating expenses	<u>23,329,424</u>	<u>27,688,254</u>
 Fundraising Expenses	 <u>270,920</u>	 <u>143,447</u>
 General and Administrative Expenses:		
Salaries, payroll taxes and employee benefits	82,131	57,875
Board and officer	51,846	39,292
Professional services	-	21,250
Insurance	14,000	9,075
Income taxes	78,024	-
Other	35,992	44,790
Total general and administrative expenses	<u>261,993</u>	<u>172,282</u>
 Total expenses	 <u>23,862,337</u>	 <u>28,003,983</u>
Increase (decrease) in unrestricted net assets before extraordinary items and cumulative effect	 1,946,543	 (3,196,722)
Extraordinary items	-	(4,204,017)
Cumulative effect of initial fair valuation of MSLF line of credit	 -	 4,008,846
Increase (decrease) in unrestricted net assets	<u>1,946,543</u>	<u>(3,391,893)</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Revenue and Support:		
Contributions received	280,655	283,195
Net assets released from restrictions	<u>(270,705)</u>	<u>(282,145)</u>
Increase in temporarily restricted net assets	<u>9,950</u>	<u>1,050</u>
 Increase (decrease) in net assets	 1,956,493	 (3,390,843)
Net assets at the beginning of the year	<u>1,433,715</u>	<u>4,824,558</u>
Net assets at the end of the year	<u>\$ 3,390,208</u>	<u>\$ 1,433,715</u>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 1,956,493	\$ (3,390,843)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Purchase of educational loans	-	(87,385)
Repayments of educational loans	13,421,642	10,037,142
Non-cash adjustments to educational loans	(3,058,660)	(2,931,483)
Unrealized gain on MSLF line of credit	(358,362)	(1,066,204)
Cumulative effect of initial fair valuation of MSLF line of credit	-	(4,008,846)
Valuation of educational loans	-	6,293,277
Depreciation	526,571	490,815
Amortization	-	121,024
Extraordinary items	-	4,204,017
Gain on sale of fixed assets	-	(176)
Change in investment values	(79,425)	(177,000)
Change in assets and liabilities:		
(Increase) decrease in current assets:		
Receivables	855,804	(995,265)
Interest receivable	342,054	(124,947)
Prepaid costs	(34,053)	36,125
Other assets	-	7,277
Increase (decrease) in current liabilities:		
Accounts and accrued expenses payable	5,917	729,034
Compensated absence	(43,397)	52,780
Refundable grant advance	97,600	-
Grants awarded	31,708	-
Funds held for servicing clients	1,149,773	(945,236)
Net cash provided by operating activities	<u>14,813,665</u>	<u>8,244,106</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(831,809)	(522,856)
Proceeds from sale of fixed assets	1,492	4,719
Purchase of investments	(76,643)	(11,174)
Net cash used in investing activities	<u>(906,960)</u>	<u>(529,311)</u>

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

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	(8,075,000)	(8,100,000)
Proceeds from issuance of notes/loans payable	-	2,378,000
Repayments on notes/loans payable	(462,285)	(3,105,278)
Repayments on lease obligations	<u>(68,707)</u>	<u>(52,712)</u>
Net cash used in financing activities	<u>(8,605,992)</u>	<u>(8,879,990)</u>
Net increase (decrease) in cash and cash equivalents	5,300,713	(1,165,195)
Cash and cash equivalents, beginning of year	<u>6,714,756</u>	<u>7,879,951</u>
Cash and cash equivalents, end of year	<u>\$ 12,015,469</u>	<u>\$ 6,714,756</u>
Supplemental schedule of noncash investing and financing activities:		
Cash paid for interest	<u>\$ 1,092,215</u>	<u>\$ 5,909,555</u>
Cash and cash equivalents are reported on the consolidated statement to financial position as follows:		
Cash and cash equivalents, current	\$ 6,801,058	\$ 3,842,067
Cash and cash equivalents, restricted	5,092,784	2,812,122
Endowment cash and cash equivalents	<u>121,627</u>	<u>60,567</u>
	<u>\$ 12,015,469</u>	<u>\$ 6,714,756</u>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

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 31 other lenders and 13 national clients during the year. 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.

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 will acquire and originate student loans and has a perpetual life. 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. Previously, the loan activity conducted by MSLF was for the specific purpose of an eventual sale to MHESAC with no obligation by MHESAC to acquire the loans until it was able to obtain financing for that specific purpose. Due to changes in the economic environment, it is not MHESAC's intent to obtain financing or purchase the MSLF loan portfolio in the foreseeable future. See Notes 4 and 13. The accompanying consolidated financial statements include the accounts of MSLF. All significant intercompany transactions and accounts have been eliminated.

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 are authorized with a par value of \$0.01 per share, and 100 shares were issued and outstanding. The corporation is a bankruptcy remote company that will perform student loan servicing functions for loans made under part B of Title IV of the Higher Education Act of 1965 for Student Assistance Foundation of Montana (SAF) along with other holders of such loans.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

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, 2010. 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 rehabilitation loan servicing is considered unrelated business income and is subject to taxation. For the period of July 1, 2009 through June 30, 2010, \$78,024 was recognized as tax expense.

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). All income is considered related to the underlying purpose of providing support to MHESAC and is therefore considered exempt from taxation. 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. 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. There are no significant deferred tax assets or liabilities as of June 30, 2010.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued):

GAAP establishes the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The determination of tax exempt status is considered to be a tax position taken with the respect to the provisions of GAAP. The Corporation's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Corporation has no uncertain tax positions that would be subject to recognition under GAAP.

It is the policy of the Corporation and its affiliates to report interest and penalties resulting from its tax positions as general and administrative expense in the year incurred. Generally, the returns of the Corporation and its affiliates are no longer subject to review for years prior to the tax year ended June 30, 2007.

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 temporarily restricted net assets of \$11,000 at June 30, 2010 and \$1,050 at June 30, 2009 (see Note 10).

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

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 no permanently restricted net assets at June 30, 2010 or 2009.

Contributions:

Contributions received 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 no unconditional promises to give at June 30, 2010 and 2009. Conditional promises to give are recognized when the conditions on which they depend are substantially met as more fully described in Note 8. Payments received on conditional grants are reported as refundable grant advances until the conditions have been met (see Note 17).

Marketing, Advertising and Outreach:

The Corporation expenses program marketing, advertising and promotional costs as incurred. Advertising expense was \$27,200 and \$17,916 for the years ended June 30, 2010 and June 30, 2009, respectively.

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 includes all checking, money market accounts and highly liquid securities with a maturity of three months or less at the date of the purchase.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2010 and June 30, 2009 for servicing fee related receivables as management believes 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 similarly to purchased assets.

Construction Work in Progress of \$55,003 reported at June 30, 2010 includes cost of building improvements and remodel. The total cost of the project is \$112,000 and the completion date was August 1, 2010.

SAF purchased the land and building at 2500 Broadway Street from MHESAC. The building is depreciated using the straight-line method over an estimated life of 40 years.

Depreciation expense incurred for the years ended June 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Loan Servicing	\$ 470,857	\$ 432,070
Included in Affiliated Client Expenses	20,293	26,110
Included in Grants and Public Purpose Program Expenses	<u>35,421</u>	<u>32,635</u>
	<u>\$ 526,571</u>	<u>\$ 490,815</u>

Amortization expense incurred for loan servicing for the years ended June 30, 2010 and 2009 was \$0 and \$121,024, respectively.

Investments:

Investments consist of certificates of deposit, bonds, 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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 if the interest rate is below the guaranteed interest rate. Conversely, if the interest rate is above the guaranteed interest, the excess portion of the borrower payment is remitted 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 or 3-month Commercial Paper Rates for that quarter increased by various rates, depending on loan origination date. 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. As of June 30, 2010 and 2009, rebates of \$5,164,947 and \$3,083,064, 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 the Federal Family Education Loan Program (FFELP). The IBR plan may result in servicers receiving additional subsidy payments on behalf of borrowers and potential reimbursement for any discharge by the federal government of remaining debt balances for borrowers at the end of 25 years.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Costs:

Costs of acquiring educational loans are capitalized and amortized using the effective interest method over the average life of the loan portfolio. Due to a termination event within the line of credit utilized to acquire loans, the balance of the un-amortized amount of this activity has effectively been eliminated and has been written off as of June 30, 2009. (See Notes 5 and 18). Other prepaid costs are amortized over the period benefited.

Allowance for Uncollectible Loans:

The educational loans receivable are loan portfolios purchased from various banks and other financial institutions and originated or consolidated in the national market. Under contracts with the Montana Guaranteed Student Loan Program (MGSLP) and United States Department of Education, MSLF 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 after that date are reimbursed at 97%. A provision for uncollectible educational loans of \$5,280 and \$1,620 has been made for these loans for the year ended June 30, 2010 and June 30, 2009 respectively, based on default rates and balances during the fiscal period.

Assets Restricted by MSLF Agreement:

As more fully explained in Note 5, certain MSLF assets are restricted under the terms of the indenture governing the line of credit with Citicorp. These assets are presented as other assets in the statement of financial position.

Reclassifications:

Certain reclassifications were made to the 2009 financial statements in order to conform to the 2010 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 & MSLF maintain cash deposits at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 2. CONCENTRATION OF CREDIT RISK (CONTINUED)

At June 30, 2010, the carrying amount of those deposits was \$6,917,666 and the bank balance was \$7,163,678 with \$6,480,591 in excess of FDIC insured limits. At June 30, 2009, the carrying amount of those deposits was \$3,826,960 and the bank balance was \$4,442,168 with \$3,852,455 in excess of FDIC insured limits.

NOTE 3. INVESTMENTS

For the years ended June 30, 2010 and 2009 there is no significant difference between cost and fair value for certificate of deposits. The fair value of land held for investment is \$1,456,000 and \$1,377,000 at June 30, 2010 and 2009, respectively, with a related cost of \$1,005,198. The fair value measurement used for this valuation was a Level 2 – significant other observable input in the form of a real estate market valuation. Certificates of deposit are not subject to investment categorization requirements (see Note 16).

At June 30, 2010 and 2009, the Corporation had investments consisting of the following:

	<u>2010</u>	<u>2009</u>
Certificates of deposit	\$ 535,188	\$ 458,120
Land held for investment	<u>1,456,000</u>	<u>1,377,000</u>
Total Investments	<u>\$ 1,991,188</u>	<u>\$ 1,835,120</u>

Components of investment income include the following:

	<u>2010</u>	<u>2009</u>
Unrealized gain on land held for investment	<u>\$ 79,000</u>	<u>\$ 177,000</u>
Interest and dividends	<u>\$ 14,621</u>	<u>\$ 55,116</u>

NOTE 4. EDUCATIONAL LOANS RECEIVABLE

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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 4. EDUCATIONAL LOANS RECEIVABLE (CONTINUED)

Educational loans are summarized as follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Student/interim status	\$ 7,961,409	\$ 12,952,493
Repayment status	199,422,502	204,790,740
Less allowance for uncollectibles	<u>(5,280)</u>	<u>(1,620)</u>
Total	<u>\$ 207,378,631</u>	<u>\$ 217,741,613</u>

Following is a breakdown of the different loan types held by MSLF at June 30, 2010 and 2009 (gross loan amounts):

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Stafford	\$ 20,146,273	\$ 21,962,087
PLUS	4,039,959	4,309,983
Consolidation	183,197,679	191,471,163
Less allowance for uncollectibles	<u>(5,280)</u>	<u>(1,620)</u>
Total	<u>\$ 207,378,631</u>	<u>\$ 217,741,613</u>

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.

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%. All Stafford and PLUS loans disbursed on or after July 1, 1994 and before July 1, 2006 are variable rate and have maximum interest rates of 8.25% and 9.00%, respectively. Stafford loans disbursed after July 1, 2006 have a fixed rate to the borrower of 6.80%, except subsidized Stafford loans issued between July 1, 2008 and June 30, 2009 and July 1, 2009 and June 30, 2010, which bear interest at the fixed rate of 6% and 5.6%, respectively. PLUS loans disbursed after July 1, 2006 have a fixed rate to the borrower of 8.50%. 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. Consolidation loans have maximum repayment terms of 10 to 30 years depending on the original balance.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 4. EDUCATIONAL LOANS RECEIVABLE (CONTINUED)

MHESAC previously acquired two large portfolios in 2005 and 2006 from MSLF. Due to dramatic changes in the economic environment and MSLF's financial position in the indenture, it is not MHESAC's intent to obtain financing or purchase the MSLF loan portfolio. SAF continues to service these loans. See Note 13 for more details on the relationship between MSLF and MHESAC.

NOTE 5. LONG-TERM DEBT

At June 30, 2010 and 2009, long term debt consisted of the following:

	<u>2010</u>	<u>2009</u>
Note payable to MHESAC, bearing interest at the rate of 8.22%; payable in monthly installments of \$28,526 through February 2019; secured by real property.	\$ 2,060,872	\$ 2,223,919
Note payable to First Interstate Bank for land, bearing interest at the rate of 6.00% with payments of \$6,528 through March 2012 and a balloon payment for the remainder; secured by land.	560,506	622,308
Note payable to First Interstate Bank, bearing interest at the rate of 3.25%; payable in monthly installments of \$11,727 secured by communication system assets. Paid off-January 2010.	-	129,627
Note payable to Montana Business Assistance Connection, bearing interest at the rate of 6.0%; payable in monthly installments of \$10,150.60 through December 2011; unsecured.	174,306	282,113
Total notes payable	<u>2,795,684</u>	3,257,967
Less current maturities	<u>(852,128)</u>	<u>(1,022,788)</u>
Long-term notes payable	<u>\$ 1,943,556</u>	<u>\$ 2,235,179</u>

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 5. LONG-TERM DEBT (CONTINUED)

Future maturity requirements of long-term debt for the five years subsequent to June 30, 2010 are as follows:

2011	\$ 852,128
2012	251,942
2013	209,144
2014	227,256
2015	246,936
Thereafter	<u>1,008,278</u>
	<u>\$ 2,795,684</u>

MSLF:

A Citicorp Line of Credit was established by indenture, originally dated August 5, 2003, for the express purpose of acquiring and originating student loans. The original line of credit had a maximum of \$100,000,000 and a maturity date of August 5, 2008 subject to annual renewals. On July 23, 2008 an amendment extending the Citicorp line of credit until September 8, 2008 was completed. On September 4, 2008, Citicorp advised MSLF that the Line of Credit was not extended under the annual renewal option of the agreement and provided a notification that the coverage condition was not satisfied in relationship to the required portfolio valuation of the collateral (educational loans). Collateral for the line of credit includes the loans acquired with the proceeds, related guarantee agreements, borrower interest, all funds on deposit in the accounts established under the indenture and personal property of MSLF.

Citicorp requested the margin between the portfolio carrying amount and the portfolio valuation be deposited in the trust account to cure the coverage condition. MSLF management chose not to satisfy this request due to economic feasibility. A subsequent notification on September 9, 2008 indicated a termination event had occurred under the existing agreement and Citicorp could exercise all rights and remedies under the agreement. These remedies include charging an additional 2% interest rate above the alternate base rate on total outstanding advances, conducting additional portfolio valuations and exercising all enforcement rights with respect to the collateral.

The indenture was placed in a coverage condition event of termination status with Citicorp electing to continue the relationship and implementing an increase in "on-going" pricing and accruing additional interest that will become payable upon full repayment of the principal. The probability of the additional deferred interest being paid is remote; therefore, no accrual has been recorded in the financial statements of MSLF. The unrecorded deferred charges total \$14,727,185 at June 30, 2010.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 5. LONG-TERM DEBT (CONTINUED)

MSLF (Continued):

Citicorp has not elected to pursue any other remedy activities to date. They have, however, retained all of their rights under the existing agreement leaving the obligation at status quo while disallowing any additional advances until Citicorp determines a course of action under the terms of the agreement. The credit line on June 30, 2010 was \$219,076,598. The maximum amount is now restricted to the current amount of the outstanding credit line. An allowance of \$5,433,412 and \$5,075,050 has been recorded as of June 30, 2010 and 2009, respectively, to reflect the difference between the outstanding line of credit and the value of the net collateral assets that secure the debt as of those dates. In addition, the net balance of unamortized prepaid costs funded from the line of credit of \$4,204,017 was written off during the year ended June 30, 2009, as the termination event effectively eliminated the value of the asset.

The interest rate is reset on the first of each month and is the commercial paper rate established by Citicorp on behalf of its conduit lenders.

The balance of advances drawn on the line of credit as of June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Citicorp line of credit; bearing variable interest of .392% at June 30, 2010 and .647% at June 30, 2009; with a maturity date of August 5, 2008 (annual renewals discontinued effective July 23, 2008); secured by student loans	<u>\$ 219,076,598</u>	<u>\$ 227,151,598</u>

NOTE 6. CAPITAL LEASES

At June 30, 2010, the Corporation held furniture and computer equipment under several capital leases containing purchase options under which the company may purchase the furniture and equipment for \$1 for each of the four leases. Since SAF intends to exercise this option, the equipment and furniture and the related liabilities under the capital leases are recorded at acquisition at the present value of the future payments due under the lease. The discount rates used to determine the present value ranged from 4.00% to 8.25%. The related liability under capital lease at June 30, 2010 and 2009 was \$214,260 and \$282,967, respectively, and is due in monthly installments of \$6,999.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 6. CAPITAL LEASES (CONTINUED)

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2010:

2011		\$ 76,014
2012		68,040
2013		68,040
2014		<u>23,926</u>
	Total minimum lease payments	236,020
	Less the amount representing interest	21,760
	Less current portion	<u>65,134</u>
	Present value of net minimum lease payments, long-term	<u>\$ 149,126</u>

NOTE 7. OPERATING LEASES

The Corporation has leases for furniture and equipment with various providers. Leased property not having elements of ownership are classified as operating leases. Twelve leases at June 30, 2010 and twenty leases at June 30, 2009 were classified as operating leases. Total expenses on such leases for the fiscal year ended June 30, 2010 and 2009 were \$98,096 and \$431,106, respectively.

As of June 30, 2010 future minimum lease payments under operating leases with a remaining term in excess of one year are as follows:

2011		\$ 24,780
2012		12,193
2013		5,298

NOTE 8. CONDITIONAL PROMISES TO GIVE

A conditional promise to give from the Lumina Foundation for Education for College Goal Sunday events was received in the form of a grant with awards disbursed over a three year period. The first award of \$30,000 was received in fiscal year 2008, the second award of \$10,000 was received in fiscal year 2009 and the final award of \$10,000 was received in fiscal year 2010.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 9. 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 includes both donor-restricted endowment funds and funds generated by SAF from program revenues. As required by generally accepted accounting principles, 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.

An initial contribution in the amount of \$60,000 was made by the Board in accordance with this policy in the year ended June 30, 2009 with an additional \$60,500 contributed in the year ended June 30, 2010. Earnings of \$1,758 and \$567, were added during the years ended 2010 and 2009, respectively. 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 a specified percentage 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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 9. ENDOWMENT (CONTINUED)

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 following describes the composition of net assets of the endowment as of June 30, 2010 and 2009, respectively, and the changes in endowment net assets for the years then ended:

	<u>Unrestricted</u>
<u>2009:</u>	
July 1, 2008	\$ -
Contributions	60,000
Investment Return:	
Interest	567
June 30, 2009	60,567
 <u>2010:</u>	
Contributions	60,500
Investment Return:	
Interest	1,758
June 30, 2010	\$ 122,825

NOTE 10. NET ASSETS

At June 30 net assets consist of the following:

Unrestricted:		<u>2010</u>	<u>2009</u>
Undesignated	\$	3,256,383	\$ 1,372,098
Board designated for endowment		122,825	60,567
Total unrestricted		3,379,208	1,432,665
 Temporarily Restricted:			
KnowHow2Go		7,575	-
High School Business Challenge		3,425	1,050
Total temporarily restricted		11,000	1,050
 Total net assets	\$	3,390,208	\$ 1,433,715

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 10. NET ASSETS (CONTINUED)

During the year ended June 30, 2010 and 2009, temporarily restricted net assets were released from restrictions as follows:

Expiration of donor restriction by expenditure for:	<u>2010</u>	<u>2009</u>
Circle of Success (Access Circle)	\$ 47,622	\$ 35,280
College Goal Sunday	22,654	23,078
High School Business Challenge	5,250	4,500
MCIS	7,500	7,500
KnowHow2Go	36,125	-
Rural Montana Saves	250	-
Financial Aid Professional of the Year	-	1,000
ETV Foster Care	<u>151,304</u>	<u>210,787</u>
Total temporarily restricted net assets released	<u>\$ 270,705</u>	<u>\$ 282,145</u>

NOTE 11. 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. Contributions began into the 401(k) plan in June 2010. SAF incurred pension costs of \$473,230 in the year ended June 30, 2010 and \$472,878 in the year ended June 30, 2009.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 12. 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. 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.

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, 2009, 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. 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, 2010 and 2009, SAF billed MHESAC \$15,619,548 and \$15,452,148, respectively. At June 30, 2010 and 2009, the reconciliation for billed and actual costs resulted in a balance payable to MHESAC of \$18,538 and receivable from MHESAC of \$328,123 respectively.

On August 1, 2003, SAF entered into a servicing agreement with MSLF to provide student loan portfolio servicing in accordance with procedures established by the Higher Education Act and Guarantee Program regulations for a term that will extend as long as any warehoused loans or other secured obligation remains outstanding, unless the agreement is otherwise terminated in accordance with the terms stated. The cost of these services is a monthly fee based on an amount equal to .065% of the average outstanding principal balance of all financed FFELP loans during the immediate preceding month. MSLF also pays rent for office space in the SAF building. SAF received \$561,767 and \$731,366 in servicing fees from MSLF during the years ended June 30, 2010 and 2009, respectively. There were intercompany payables of \$134,257 and \$140,718 as of June 30, 2010 and 2009, 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 dental and life insurance with Lincoln Financial.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Line of Credit:

On April 6, 2007, 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, 2010 and June 30, 2009 there was a zero balance. The credit agreement expires on December 1, 2010.

MSLF secured a line of credit with Citicorp on August 5, 2003 for the express purpose of acquiring and originating student loans. As of June 30, 2010, MSLF had drawn \$219,076,598 to acquire student loans. Note 5 details the requirements of the line of credit and the current termination event status.

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. A subsequent amendment to the original agreement on February 1, 2004 extends the term of the agreement for ten years from the date of the amendment with provisions for automatic one year renewal options. Fees for access and maintenance of the remote system vary depending on volume and services provided.

NOTE 13. RELATED PARTY TRANSACTIONS

SAF Relationship with MHESAC:

On February 1, 2000, SAF entered into an agreement with Montana Higher Education Student Assistance Corporation (MHESAC) to provide management and servicing functions to MHESAC as described in Note 12. For fiscal year 2010, SAF had three of its nine 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. These assets were transferred in exchange for notes more fully described in Note 5.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 13. RELATED PARTY TRANSACTIONS (CONTINUED)

MSLF Relationship with MHESAC:

Previously, the loan activity conducted by MSLF was for the specific purpose of an eventual sale to MHESAC with no obligation by MHESAC to acquire the loans until it was able to obtain financing for that specific purpose as defined by a purchase agreement between the two companies. The agreement recognized that the purchase of the loans would occur at such time as market conditions permitted MHESAC to permanently finance such loans through the issuance of bonds or notes which are economically feasible and justifiable to MHESAC. During fiscal year 2009 it became clear that MHESAC will not be able to finance these loans in the foreseeable future. The value of the loans has more appropriately been adjusted to reflect this turn of events. The loans represented an income generating asset that had a determinable value based on the indenture and purchase agreement between MSLF and MHESAC. Due to dramatic changes in the economic environment and MSLF's financial position in the indenture, it is no longer MHESAC's intent to obtain financing or purchase the loan portfolio in the foreseeable future. The premium amount calculated and reported in prior years related to an anticipated sale has been reversed with a resulting loss on valuation of the transaction of \$6,293,277 was reported in the year ended June 30, 2009.

Shared Cost Agreements:

The Corporation has a sublease and shared cost agreement with Montana Guaranteed Student Loan Program (MGSLP) and Office of the Commissioner of Higher Education (OCHE), both agencies of the Board of Regents of Montana. SAF and the Board of Regents had two common board members. The costs shared are primarily related to computer operations, personnel and building operations.

The sublease and shared cost amounts and the related accounts receivable and accounts payable were as follows for the year ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Sublease and Shared Costs		
Payments from:		
MGSLP	\$ 426,410	\$ 634,663
OCHE	277,920	139,869
Accounts receivable:		
Payments due from:		
MGSLP	67,308	34,600
OCHE	9,491	12,096

Total net receivables/payables from these agreements, including the balance due from MHESAC disclosed in Note 12, was \$58,471 at June 30, 2010 and \$346,458 at June 30, 2009.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 14. 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 15. MAJOR CUSTOMER

Fees from MHESAC accounted for 74% and 73% of SAF's total revenues for the years ended June 30, 2010 and 2009, respectively. Accounts receivable relating to these revenues accounted for 23.7% of SAF's total receivables as of June 30, 2009. There was no receivable related to these revenues at June 30, 2010.

NOTE 16. 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.

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;

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010 and 2009

NOTE 16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following are the assets and liabilities measured on a recurring basis as of and for the year ended June 30, 2010 and 2009:

<u>Financial Instrument</u>	<u>Fair and Carrying Value</u>	Quoted Prices In Active Markets - Identical Assets (<u>Level 1</u>)	Significant Other Observable Inputs (<u>Level 2</u>)	Significant Unobservable Inputs (<u>Level 3</u>)
2010:				
<u>Assets:</u>				
Land Held for Investment	1,456,000	-	1,456,000	-
<u>Liabilities:</u>				
MSLF line of credit	213,643,186	-	213,643,186	-
2009:				
<u>Assets:</u>				
Land Held for Investments	1,377,000	-	1,377,000	-
<u>Liabilities:</u>				
MSLF line of credit	222,076,548	-	222,076,548	-

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.

MSLF Line of Credit:

Fair value for the MSLF line of credit is based on the contractual value of the underlying collateral for the loan. GAAP permits entities to measure many financial instruments and certain other items at fair value. At the effective date, an entity may elect the fair value option for eligible items that exist at that date. The Corporation has elected to apply this guidance to the MSLF line of credit.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

MSLF Line of Credit (Continued):

As required by GAAP, the Corporation has reported the effect of the first fair value measurement at July 1, 2008 as a cumulative-effect adjustment in the statement of activities. The subsequent June 30, 2009 and June 30, 2010 valuation results are included as an unrealized gain in the support and revenues section of the statement of activities, described in more detail in Note 5. The table below summarizes the change in fair value:

	<u>2010</u>	<u>2009</u>
June 30 Beginning Balance	\$ 222,076,548	\$ 235,251,598
Cumulative effect of initial valuation	-	(4,008,846)
Net change from repayments of loan	(8,075,000)	(8,100,000)
Unrealized gain on June 30 valuation	<u>(358,362)</u>	<u>(1,066,204)</u>
June 30 Ending Balance	<u>\$ 213,643,186</u>	<u>\$ 222,076,548</u>

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>2010</u>		<u>2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Cash and cash equivalents	\$ 12,015,469	\$ 12,015,469	\$ 6,714,756	\$ 6,714,756
Interest receivable	2,765,983	2,765,983	3,106,839	3,106,839
Investments - certificates of deposit	535,188	535,188	458,120	458,120
Educational loans receivable, net	<u>207,378,631</u>	<u>198,380,001</u>	<u>217,741,613</u>	<u>217,741,613</u>
Total financial assets	<u>\$ 222,695,271</u>	<u>\$ 213,696,641</u>	<u>\$ 228,021,328</u>	<u>\$ 228,021,328</u>
Financial liabilities:				
Funds held for servicing client	\$ 3,451,858	3,451,858	2,302,084	2,302,084
Interest payable	71,513	71,513	122,555	122,555
Notes payable	2,795,684	2,795,684	3,257,967	3,257,967
Capital lease obligations	<u>214,260</u>	<u>214,260</u>	<u>282,967</u>	<u>282,967</u>
	<u>\$ 6,533,315</u>	<u>\$ 6,533,315</u>	<u>\$ 5,965,573</u>	<u>\$ 5,965,573</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, 2010.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Interest receivable and payable:

The carrying amounts of interest receivable and payable are considered to approximate fair value at June 30, 2010, 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:

The carrying amount of certificates of deposit is considered to approximate fair value.

Educational Loans Receivable:

The fair value was estimated by reference to sale information from the limited marketplace and 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.

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.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010 and 2009

NOTE 17. REFUNDABLE GRANT ADVANCES

For the year ended June 30, 2010, a grant of \$140,000 was received from the Lumina Foundation for the KnowHow2Go grant, which will disburse awards over a three year period. This grant will be used to develop a sustainable statewide college access network in Montana, providing advocacy and policy efforts. The first award of \$42,400 was recognized in the year ended June 30, 2010 with the remaining awards of \$47,900 and \$49,700 for the years ended June 30, 2011 and 2012, respectively, being classified as refundable grant advance.

NOTE 18. EXTRAORDINARY ITEMS

Prepaid Costs for Acquiring Educational Loans:

On September 4, 2008, Citicorp advised MSLF that the Line of Credit utilized to acquire student loans was not extended under the annual renewal option of the agreement and provided a notification that the coverage condition was not satisfied in relationship to the required portfolio valuation of the collateral (educational loans and related assets and liabilities).

Due to this termination event within the line of credit the value of the net balance of the un-amortized amount of prepaid loan acquisition costs has effectively been eliminated and have been removed and reported as an extraordinary loss of \$4,204,017 as of June 30, 2009.

NOTE 19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 16, 2010, the date which the financial statements were available for issue and did not identify any events to disclose.

ACCOMPANYING INFORMATION

INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

To the Board of Directors
Student Assistance Foundation
of Montana
Helena, Montana 59601

Our report on our audits of the consolidated financial statements of Student Assistance Foundation of Montana and Affiliates for 2010 and 2009 appears on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedules presented on pages 34 to 37 and the schedule of grant and public programs expense on page 38 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



Helena, Montana
September 16, 2010

(THIS PAGE INTENTIONALLY LEFT BLANK)

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2010 with Comparative Totals for 2009

ASSETS	Student Assistance Foundation	Montana Student Loan Funding	Tru Student	Consolidating Adjustments	Consolidated	
					2010	2009
CURRENT ASSETS						
Cash and cash equivalents	\$ 6,692,823	\$ 8,235	\$ 100,000	\$ -	\$ 6,801,058	\$ 3,842,067
Accounts receivable:						
Lender services	9,578	-	-	-	9,578	3,110
Montana Student Loan Funding	134,257	-	-	(134,257)	-	-
Other client & miscellaneous receivables	441,025	35	-	-	441,060	1,334,633
Related parties	76,799	-	-	-	76,799	46,696
Due from MSLF	847,581	-	-	(847,581)	-	-
Due from Tru Student	110,521	-	-	(110,521)	-	-
Interest receivable	-	2,764,785	-	-	2,764,785	3,106,839
Investments	2,091,188	-	-	(100,000)	1,991,188	1,835,120
Prepaid costs, net	393,953	-	48,611	-	442,564	408,511
Funds held for loan servicing client	-	32,059	-	(32,059)	-	-
Total current assets	<u>10,797,725</u>	<u>2,805,114</u>	<u>148,611</u>	<u>(1,224,418)</u>	<u>12,527,032</u>	<u>10,576,976</u>
PROPERTY AND EQUIPMENT, at cost						
Land and building	2,883,045	-	-	-	2,883,045	2,883,045
Building improvements	1,227,878	-	-	-	1,227,878	1,098,201
Construction work in progress	55,003	-	-	-	55,003	-
Equipment and furniture	3,752,905	-	-	-	3,752,905	3,251,935
	7,918,831	-	-	-	7,918,831	7,233,181
Less: accumulated depreciation	4,015,780	-	-	-	4,015,780	3,633,876
Total property and equipment	<u>3,903,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,903,051</u>	<u>3,599,305</u>
OTHER RESTRICTED ASSETS						
Cash and cash equivalents	-	5,092,784	-	-	5,092,784	2,812,122
Endowment cash and cash equivalents	121,627	-	-	-	121,627	60,567
Endowment interest receivable	1,198	-	-	-	1,198	-
Educational loans receivable						
Student loans receivable	-	207,383,911	-	-	207,383,911	217,743,233
Less: allowance for uncollectible accounts	-	(5,280)	-	-	(5,280)	(1,620)
Prepaid costs, net	-	3,000	-	-	3,000	3,000
Total other restricted assets	<u>122,825</u>	<u>212,474,415</u>	<u>-</u>	<u>-</u>	<u>212,597,240</u>	<u>220,617,302</u>
Total assets	<u>\$ 14,823,601</u>	<u>\$ 215,279,529</u>	<u>\$ 148,611</u>	<u>\$ (1,224,418)</u>	<u>\$ 229,027,323</u>	<u>\$ 234,793,583</u>

See Independent Auditor's Report.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
June 30, 2010 with Comparative Totals for 2009

LIABILITIES AND NET ASSETS	Student Assistance Foundation	Montana Student Loan Funding	Tru Student	Consolidating Adjustments	Consolidated	
					2010	2009
CURRENT LIABILITIES						
Other accounts payable and accrued expenses	\$ 1,689,170	\$ 371,849	\$ -	\$ (134,257)	\$ 1,926,762	\$ 1,799,162
Funds held for loan servicing client	3,483,917	-	-	(32,059)	3,451,858	2,302,084
Special allowance payment payable	-	1,193,446	-	-	1,193,446	1,264,090
Accrued interest payable	-	71,513	-	-	71,513	122,555
Grant program liability	1,251,000	-	-	-	1,251,000	1,219,292
Due to parent corporation	-	847,581	110,521	(958,102)	-	-
Compensated absence liability	991,806	-	-	-	991,806	1,035,203
Current obligation under capital lease	65,134	-	-	-	65,134	68,707
Current maturities of notes payable	852,128	-	-	-	852,128	1,022,788
Current refundable grant advance	47,900	-	-	-	47,900	-
Current maturities of MSLF line of credit:						
MSLF line of credit	-	219,076,598	-	-	219,076,598	227,151,598
Less fair value adjustment	-	(5,433,412)	-	-	(5,433,412)	(5,075,050)
Total current liabilities	8,381,055	216,127,575	110,521	(1,124,418)	223,494,733	230,910,429
LONG-TERM LIABILITIES						
Notes payable, net of current maturities	1,943,556	-	-	-	1,943,556	2,235,179
Current refundable grant advance	49,700	-	-	-	49,700	-
Obligation under capital lease	149,126	-	-	-	149,126	214,260
Total long-term liabilities	2,142,382	-	-	-	2,142,382	2,449,439
Total liabilities	10,523,437	216,127,575	110,521	(1,124,418)	225,637,115	233,359,868
NET ASSETS						
Capital stock, common, \$.01 par	-	-	1	(1)	-	-
Additional paid-in-capital	-	-	99,999	(99,999)	-	-
Undesignated, unrestricted	4,166,339	(848,046)	(61,910)	-	3,256,383	1,372,098
Board designated for endowment	122,825	-	-	-	122,825	60,567
Temporarily restricted	11,000	-	-	-	11,000	1,050
Total net assets	4,300,164	(848,046)	38,090	-	3,390,208	1,433,715
TOTAL LIABILITIES AND NET ASSETS	\$ 14,823,601	\$ 215,279,529	\$ 148,611	\$ (1,124,418)	\$ 229,027,323	\$ 234,793,583

See Independent Auditor's Report.

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2010 with Comparative Totals for 2009

	Student Assistance Foundation	Montana Student Loan Funding	Tru Student	Consolidating Adjustments	Consolidated	
					2010	2009
UNRESTRICTED NET ASSETS						
Revenue and Support:						
Management & servicing fee income	\$ 15,273,908	\$ -	\$ -	\$ -	\$ 15,273,908	\$ 17,148,224
Interest on educational loans	-	5,238,686	-	-	5,238,686	8,856,386
Loan servicing income	4,209,888	-	-	(561,767)	3,648,121	2,610,098
Lender services income	263,590	-	-	-	263,590	301,432
Income from investments						
Investment Income	10,176	2,687	-	-	12,863	54,549
Interest on endowment	1,758	-	-	-	1,758	567
Unrealized gain on land valuation	79,000	-	-	-	79,000	177,000
Unrealized loss on loan valuation	-	-	-	-	-	(6,293,277)
Unrealized gain on MSLF line of credit	-	358,362	-	-	358,362	1,066,204
Contributions grants received	28,268	-	-	-	28,268	45,454
Other income	634,399	-	-	(780)	633,619	558,479
	<u>20,500,987</u>	<u>5,599,735</u>	<u>-</u>	<u>(562,547)</u>	<u>25,538,175</u>	<u>24,525,116</u>
Net assets released from restrictions	<u>270,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,705</u>	<u>282,145</u>
Total unrestricted revenue and support	<u>20,771,692</u>	<u>5,599,735</u>	<u>-</u>	<u>(562,547)</u>	<u>25,808,880</u>	<u>24,807,261</u>
Program Operating Expenses:						
Loan Servicing						
Salaries, payroll taxes and employee benefits	10,259,800	-	-	-	10,259,800	10,083,132
Contract sub-servicing fees	1,460,371	560,405	-	-	2,020,776	1,853,040
Professional services	634,642	-	59,267	-	693,909	428,266
Advertising	66,211	-	-	-	66,211	43,425
Marketing and outreach	3,594	-	-	-	3,594	5,103
Contract services and labor	318,324	-	-	-	318,324	131,531
Staff travel and training	242,566	-	-	-	242,566	254,107
Insurance	73,723	-	-	-	73,723	77,062
Office supplies and copier charges	75,134	-	-	-	75,134	64,975
Computer charges	634,345	-	1,389	-	635,734	605,359
Telecommunications and utilities	293,308	-	-	-	293,308	273,816
Mail, postage and courier	636,803	-	-	-	636,803	580,697
Printing	54,684	-	-	-	54,684	107,766
Dues, subscriptions and memberships	76,547	-	-	-	76,547	78,390
Recruitment and relocation	3,727	-	-	-	3,727	1,842
Automobile expense	2,076	-	-	-	2,076	1,222
Repairs, maintenance and service	54,298	-	-	-	54,298	66,828
Depreciation	470,857	-	-	-	470,857	432,070
Amortization of prepaid costs	-	-	-	-	-	121,024
Conversion costs	-	1,982,132	-	-	1,982,132	2,058,929
Loan fees	-	971,701	-	-	971,701	1,296,857
Operating lease payments	93,905	-	-	-	93,905	397,266
Other costs	314,259	33,904	989	(780)	348,372	284,876
Interest expense	208,297	807,986	-	-	1,016,283	5,464,707
Grants and public purpose program	2,841,818	-	-	-	2,841,818	2,791,268
Servicing costs allocated to MSLF	561,767	-	-	(561,767)	-	-
Lender services expenses	93,142	-	-	-	93,142	184,696
Total program operating expenses	<u>19,474,198</u>	<u>4,356,128</u>	<u>61,645</u>	<u>(562,547)</u>	<u>23,329,424</u>	<u>27,688,254</u>

See Independent Auditor's Report.

	Student Assistance Foundation	Montana Student Loan Funding	Tru Student	Consolidating Adjustments	Consolidated	
					2010	2009
Fundraising Expenses	270,920	-	-	-	270,920	143,447
General and Administrative Expenses:						
Salaries, payroll taxes and employee benefits	82,131	-	-	-	82,131	57,875
Board and officer	43,761	7,820	265	-	51,846	39,292
Professional services	-	-	-	-	-	21,250
Insurance	14,000	-	-	-	14,000	9,075
Income taxes	78,024	-	-	-	78,024	-
Other	35,992	-	-	-	35,992	44,790
Total general and administrative expenses	253,908	7,820	265	-	261,993	172,282
Total expenses	19,999,026	4,363,948	61,910	(562,547)	23,862,337	28,003,983
Increase (decrease) in unrestricted net assets before extraordinary items and cumulative effect	772,666	1,235,787	(61,910)	-	1,946,543	(3,196,722)
Extraordinary items	-	-	-	-	-	(4,204,017)
Cumulative effect of initial fair valuation of MSLF line of credit	-	-	-	-	-	4,008,846
Increase (decrease) in unrestricted net assets	772,666	1,235,787	(61,910)	-	1,946,543	(3,391,893)
TEMPORARILY RESTRICTED NET ASSETS						
Revenue and Support:						
Contributions received	280,655	-	-	-	280,655	283,195
Net assets released from restrictions	(270,705)	-	-	-	(270,705)	(282,145)
Increase in temporarily restricted net assets	9,950	-	-	-	9,950	1,050
Increase(decrease) in net assets	782,616	1,235,787	(61,910)	-	1,956,493	(3,390,843)
Net assets at the beginning of the year	3,517,548	(2,083,833)	-	-	1,433,715	4,824,558
Common stock issued	-	-	1	(1)	-	-
Contributed capital	-	-	99,999	(99,999)	-	-
Net assets at the end of the year	\$ 4,300,164	\$ (848,046)	\$ 38,090	\$ (100,000)	\$ 3,390,208	\$ 1,433,715

STUDENT ASSISTANCE FOUNDATION OF MONTANA AND AFFILIATES
SCHEDULE OF CONSOLIDATED GRANT AND PUBLIC PROGRAMS EXPENSE
For the Years Ended June 30, 2010 and 2009

	2010	2009
Operating & overhead expenses		
Program administration	\$ 219,325	\$ 383,785
Campus outreach		
Outreach staff & offices	571,655	502,044
Outreach program		
College Goal Sunday	81,896	99,800
Foster Care Program	145,368	220,409
Montana College Access/KnowHow2Go	50,335	7,082
SAT/ACT practice tests	15,000	15,000
Grants awarded		
Access grants	1,250,000	1,217,292
Financial Aid Training Grants	-	2,000
Gear Up contribution	5,000	5,000
Helena Symphony Youth Concert	-	5,000
High School Business Challenge	-	4,500
Inspiring Young Minds Grant	4,250	-
Jobs for Montana's Graduates	28,180	500
MASFAA - Professional Development	10,000	-
Missoula County Graduation Matters	25,000	-
Miscellaneous Grants	-	800
Montana Credit Unions - AFL Grant	25,000	-
Webwriters	9,215	10,221
Scholarships		
Circle of Success	56,000	56,000
Community Service Scholarships	70,000	70,000
High School Business Challenge	5,250	-
Jobs for Montana Graduates	2,000	-
Miscellaneous Scholarships	2,000	-
University of Montana Endowment	20,000	-
Sponsorships		
Bozeman School Foundation	10,000	-
Exploration Works	5,000	-
GearUp Teacher Training	10,000	-
Grand Street Theatre	5,000	-
Havre Public Schools Foundation	5,000	-
Helena Education Foundation	13,500	5,000
High School Musical	3,000	-
Holter Museum of Arts Youth Education	1,500	-
MAPS Media Institute	10,000	-
MCIS program	175,835	175,835
Miscellaneous Sponsorships	7,509	1,000
MPSEOC	-	10,000
	\$ 2,841,818	\$ 2,791,268

See Independent Auditor's Report.