New Mexico Educational Assistance Foundation

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NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Financial Statements

JUNE 30 | 2023

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION
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Independent Auditors' Report

The Board of Directors
New Mexico Educational Assistance Foundation
Albuquerque, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of New Mexico Educational Assistance Foundation (the "Foundation"), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, and the changes in it's net assets and it's cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of A Matter

As discussed in Note 12 to the financial statements, during the year ended June 30, 2022, the Foundation adopted new accounting guidance, Government Accounting Standards Board Statement 96, Subscription-Based Information Technology Arrangements (SBITAs). The beginning balance of net position has been restated due to the implementation. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4–14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The Schedule of Expenditures of Federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is fairly stated, in all material respects, in relation to the basic 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 October 11, 2023 on our consideration of the Foundation'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 solely 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 the effectiveness of 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 Foundation's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
October 11, 2023

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Management's Discussion and Analysis
Fiscal Years Ended June 30, 2023 and 2022

Overview

The New Mexico Educational Assistance Foundation (the Foundation) functions as loan servicer to meet the financial needs of New Mexico students seeking post-secondary education. Funding of student loans was achieved through underwritings of tax-exempt and taxable debt securities issued by the Foundation for resale primarily to institutional investors. The Foundation provides the following additional services:

- Collection services for defaulted loans, educational debt, and other past due accounts;
- Assessment and collection of late and legal fees on delinquent balances;
- Statewide higher education outreach

As of June 30, 2023, the Foundation had 33,048 loans outstanding to 9,953 current and former students at a total principal value, net of an allowance of doubtful accounts, of approximately $195 million.

This Management's Discussion and Analysis is required supplementary information under Governmental Accounting Standards Board Statement (GASB) 34. The narrative will focus on changes in results of operations and financial position from the prior year, with emphasis on the current year. Reasons for these changes and economic factors affecting the Foundation's results will be highlighted.

The topics discussed in this Management's Discussion and Analysis, per GASB 34 guidelines, are the following:

- A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide;
- Condensed financial information derived from financial statements comparing the current year to prior years;
- An analysis of the entity's overall financial position and results of operations to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's operations;
- An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund, or its equivalent;
- A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services;
- A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Management's Discussion and Analysis
Fiscal Years Ended June 30, 2023 and 2022

I. Brief Discussion of Financial Statements

The financial statements presented herein are the following:

- Statement of Net Position;
- Statement of Revenues, Expenses and Changes in Net Position;
- Statement of Cash Flows.

The Statement of Net Position summarizes the Foundation's financial position as of the end of the fiscal year. It describes the various classifications of assets, liabilities and the residual net position. This Statement is distinguished from the other two in that it provides a snapshot of account balances at a particular point in time, as opposed to an accumulation of activity during the period.

The Statement of Revenues, Expenses and Changes in Net Position illustrate the Foundation's inflows and outflows of financial resources during the year. The accrual of revenue and expense items during the year will affect the year-end balances on the Statement of Net Position. The increase or decrease in net position computed on the Statement of Revenues, Expenses and Changes in Net Position is added to or subtracted from the beginning net position on the Statement of Net Position to yield ending net position as of the report date.

The Statement of Cash Flows lists the sources and uses of cash during the year, using the direct method. The Statement itemizes the changes in the balance of cash and equivalents from the beginning of the year to year-end. The inflows and outflows of cash during the year help explain the change in the balances of assets and liabilities on the Statement of Net Position.

For internal management reporting purposes the Foundation segregates financial reporting into two funds – the Debt Fund and the General Fund. The Debt Fund monitors all activity and net position relating to the Federal Family Education Loan Program (FFELP) student loans, the Foundation's alternative student loans, borrower incentive programs offered by the Foundation, and the outstanding debt issued to fund these programs. The General Fund consists of Foundation operating costs and net position, primarily financed by an administrative allowance from the Debt Fund and service fees. Presentation of the two funds discretely helps distinguish the primary function of the Foundation – financing guaranteed FFELP loans – from general and administrative operations.

With the implementation of GASB Statement 34, the focus of the financial statements is on the overall entity. Therefore, the two funds, which do not meet the criteria for reporting as separate funds in the accompanying financial statements, are combined for presentation on this report. The financial statements are presented in a single-column format as enterprise fund business-type activities.

The 2022 Financial Statements have been restated in this audit report to account for changes due to implementation of GASB 96. By restating the previous year, management intends to make the comparison of the 2022 and 2023 fiscal years more meaningful and useful to the readers. The restatement as of June 30, 2022 increased total assets by $269 thousand, increased total liabilities by $237 thousand, decreased expenses by $31 thousand, and increased ending net assets by $31 thousand.

II. Condensed Financial Information
Condensed financial information is presented below (in thousands).

	At June 30		
	2023	**2022 (Restated)**	**2021**
Capital Assets	$ 4,757	$ 4,549	$ 4,629
Student Loan Receivables & Other Assets	283,541	344,848	350,168
Total Assets	$ 288,298	$ 349,397	$ 354,797
Long-Term Liabilities	$ 160,172	$ 212,428	$ 227,072
Other Liabilities	21,618	35,671	23,790
Total Liabilities	181,790	248,099	250,862
Deferred Inflows of Resources	386	590	724
Total Liabilities and Deferred Inflows of Resources	182,176	248,689	251,586
Net Position:			
Invested in Capital Assets	4,757	4,549	4,629
Unrestricted	30,212	27,959	23,507
Restricted	71,153	68,200	75,075
Total Net Position	106,122	100,708	103,211
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 288,298	$ 349,397	$ 354,797

	Year Ended June 30		
	2023	**2022 (Restated)**	**2021**
Revenues:			
Borrower Interest Income & Fees	$ 11,355	$ 14,384	$ 15,702
Federal Subsidies	3,494	(4,814)	(5,767)
Investment Revenue	2,058	69	35
Loan Servicing & Other Revenue	2,107	3,350	3,507
Total Revenues	19,014	12,989	13,477
Expenses:			
Direct Costs (Recovery) – FFELP	6,758	8,210	7,966
Overhead Costs -FFELP	5,348	5,345	5,371
Loan Servicing	1,350	1,326	1,386
Total Expenses	13,456	14,881	14,723
Income (Loss) on Equity Investment	(19)	54	71
Loss on Early Debt Retirement	-	(665)	-
Arbitrage Rebate	(125)	-	-
Change in Net Position	5,414	(2,503)	(1,175)
Net Position, Beginning of the Year	100,708	103,211	104,386
Net Position, End of the Year	$ 106,122	$ 100,708	$ 103,211

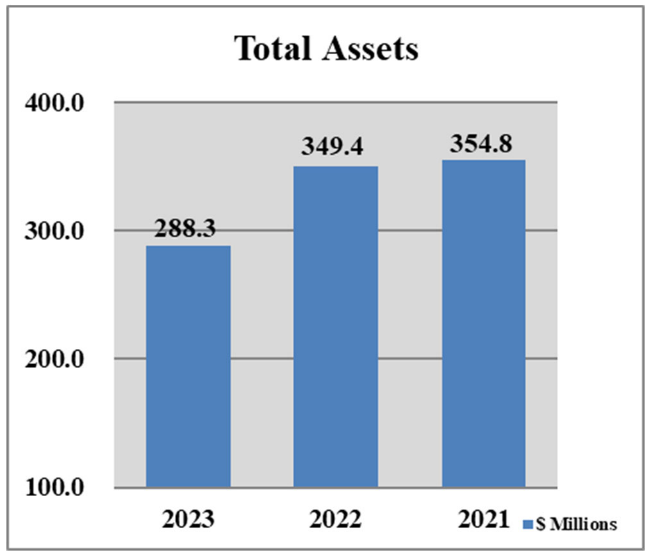
NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Management's Discussion and Analysis
Fiscal Years Ended June 30, 2023 and 2022

III. Analysis of Overall Financial Position and Results of Operations

Analysis of Financial Position:

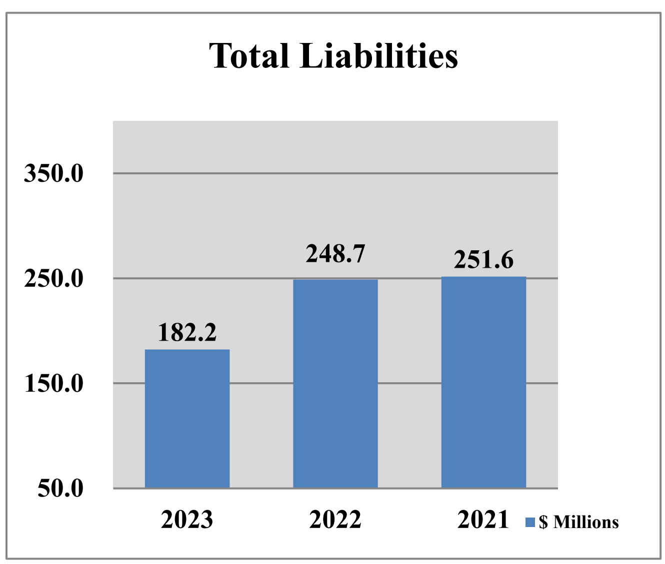
The Foundation's Total Assets at June 30, 2023 were $288.3 million, a decrease of approximately $61.1 million from the restated balance at June 30, 2022. Total assets at June 30, 2022 were approximately $349.4 million, a decrease of approximately $5.4 million from the balance at June 30, 2021. Significant (approximate) changes in total assets components included:



- As of June 30, 2023, there was a reduction of $69.1 million in student loans receivable representing a 26.2% decrease. As of June 30, 2022, there was a reduction of $41.3 million in student loans receivable representing a 13.5% decrease. The decreases in both years was largely due to borrower payments and Direct Loan Consolidations with the United States Department of Education - a much higher volume in 2023.
- Borrower interest receivable, special allowance, and interest subsidy receivable decreased $1.9 million as of June 30, 2023 from the amount outstanding June 30, 2022. This decrease, though offset by rising interest rates, was due to the reduction in the student loans receivable balance during the year. In 2022, borrower interest receivable and interest subsidy receivable decreased $0.5 million as of June 30, 2022 from the amount outstanding June 30, 2021. The decrease in 2022 was due to collections of outstanding balances.
- During 2023, Equity Method investments increased by $2.6 million as the Foundation invested $2.5 million in CUBIT Fund LLC and $99.8 thousand in Green Street Impact Partners Fund. In 2023, the Foundation recognized a gain of $54 thousand in CUBIT. NMEAF's fully owned collection agency, CRI, recognized a loss of $73 thousand during the fiscal year 2023 and income of $54 thousand during the fiscal year 2022. Losses and gains on these investments are recognized as decreases and increases the equity investment held by the Foundation for each year.
- Other investments increased by $19.3 million as of June 30, 2023 due to increases in operating fund investment holdings coupled with higher cash accumulation in the debt funds from collections on student loans recievable during the year. Other investments increased by $24.0 million as of June 30, 2022 due to an increase in required reserves of about $10.0 million for the newly issued 2021 bonds as well as higher than normal collection activity on the student loan portfolio.
- Due to the higher investment portfolio, accrued interest receivables increased by $0.2 million in fiscal year 2023.

- Cash and cash equivalents decreased $12.3 million over the prior year as of June 30, 2023. Unrestricted cash decreased by $12.6 million due to funds being invested in treasuries and certificates of deposit by the operating fund. Restricted cash increased $0.3 million due to timing of borrower payment collections that are due to be transferred to the debt fund investments. As of June 30, 2022, Cash and cash equivalents increased $13.3 million over the prior year. Unrestricted cash increased by $13.1 million due to funds received from the refinance of student loans held in the operating fund from the debt fund. Restricted cash increased $0.2 million due to timing of borrower payment collections that are due to be transferred to the debt fund investments.
- In 2023, student loan late and legal fees, net decreased $0.2 million during the year due to a smaller outstanding portfolio along with release of litigation on loans within the portfolio. There was not a significant change in 2022.
- For the year ended June 30, 2023, other assets increased $0.1 million primarily due to amounts due to the Foundation from our health care provider for reduced employer health care expenses for the year and from amounts due from CRI, Inc. for services. For the year ended June 30, 2022, changes in other assets included a decrease of $0.1 million in amounts due to the Foundation.
- In 2022, there was a decrease due to the termination of the 2010-2 SWAP agreement of $0.5 million and a reduction of $0.3 million in prepaid interest due to the restructure of debt.
- Property, plant, and equipment, had a net increase of $0.2 million for the current year due to increases in assets with the implementation of Statement 96 and with purchases made towards energy reduction solar, HVAC, and lighting upgrades. With the implementation of GASB 96, right-of-use assets of $0.3 million were capitalized and included in property, plant, and equipment, net as of June 30, 2022. Overall, capital assets declined by $0.1 million for the year ending June 30, 2022.

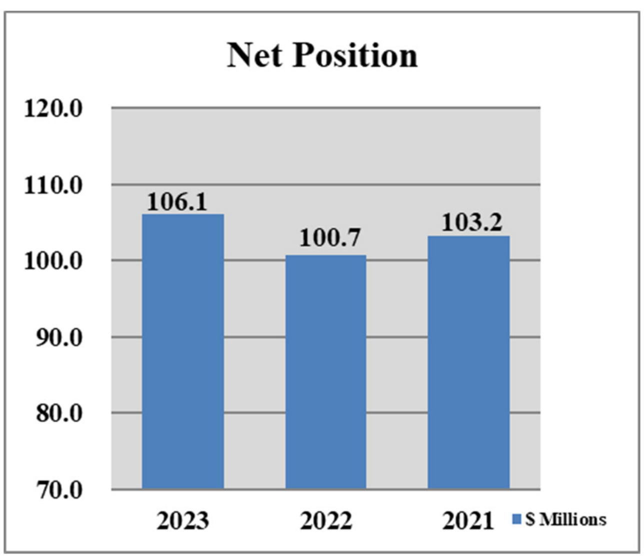
Total liabilities (including deferred inflow of resources) decreased by approximately $66.5 million to $182.2 million as of June 30, 2023 as compared to a decrease of approximately $2.9 million to $248.7 million as of June 30, 2022. Significant decreases and increases in liabilities were driven by the following primary changes (in approximate amounts):



- Current and long-term bonds payable decreased $64.6 million as of June 30, 2023 from the amount outstanding June 30, 2022 due to payments made on the 2001, 2002, 2003, 2004, and 2021 bonds. Current and long-term bonds payable increased $12.2 million and the line of credit outstanding decreased $16.1 million as of June 30, 2022 from the amount outstanding June 30, 2021 due to the issuance of the 2021 bonds. These bonds were issued to retire previous bond issues with LIBOR based interest rates, retire the line of credit with Bank of America and to refinance most of the student loan portfolio held in the general fund. Management believes the restructure placed NMEAF in better position to face future economic conditions.

- The year-end interest accrual bonds payable decreased by $0.6 million in fiscal year 2023 due to the lower accruals resulting from lower outstanding balances. The year-end interest accrual had an increase of $1.7 million in fiscal year 2022 due to the timing of interest payments and different amounts and rate structures of the new debt.
- With the implementation of GASB 96, nineteen subscription based tehnology agreements were capitalized along with their related liabilities totaling $0.4 million as of June 30, 2022. Other leases payable declined during the year, resulting in a total increase in leases payable of $0.1 million. During 2023, the liability that was established with the implementation of this standard decreased by $0.1 million.
- For June 30, 2023, the Foundation recognized a arbitrage liability of $0.1 million in the 2021 bond series due to the earnings that were realized on the investment balances in trust for the bond holders. In 2022, the interest rates were low enough to prevent earnings that would produce yields above the restricted amount for all bond issues thus there are not liabilities for arbitrage rebate and excess earnings.
- As of June 30, 2023, there was a decrease of $0.2 million in accounts payable and accrued liabilities. Deferred inflow of resources decreased $0.2 million in 2023 due to amortization recognized. As of June 30, 2022, there was a minimal decrease in accounts payable and accrued liabilities. Deferred inflow of resources decreased $0.1 million in 2022 due to amortization recognized.
- As of June 30, 2023, special allowance payable declined by $0.9 as the liability switched to a receiable by the end of the year. As of June 30, 2022, special allowance payable declined by $0.7 million. Both year declines were due to higher interest rates, along with lower student loans receivable outstanding, leading to a reduction in the amount owed the U.S. Department of Education.

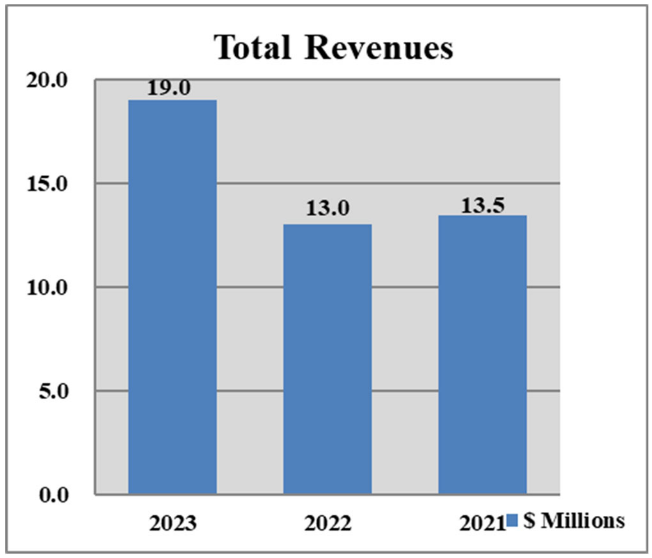
Net position increased by 5% to $106.1 million and net position comprised approximately 37% of total assets at June 30, 2023. Net position decreased by 2% to $100.7 million and net position comprised approximately 29% of total assets at June 30, 2022.



Analysis of Results of Operations:

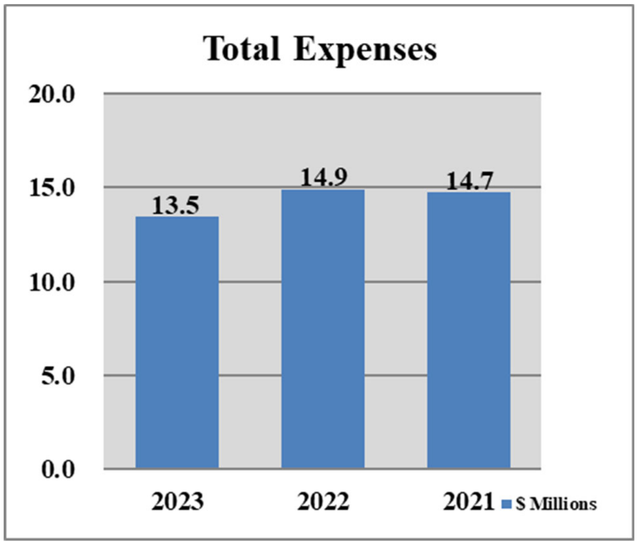
In 2023, total revenues were $19.0 million, a increase of $6.0 million from June 30, 2022. In 2022, total revenues were $13.0 million, a decrease of $0.5 million from June 30, 2021. The fluctuations are primarily attributable to (in approximate amounts):

- A smaller student loans receivable portfolio was more than offset by large increases in interest rates which resulted in a increase of $5.2 million in student loan interest, interest subsidy, late and legal fees, and special allowance for the year ended June 30, 2023. In fiscal year 2022, smaller student loan balances resulted in a decrease of $0.3 million in student loan interest, interest subsidy, late and legal fees, and special allowance.



- There was no longer a derivative instrument in fiscal year 2023 as the SWAP agreement was terminated in fiscal year 2022 with the debt restructure. The difference in the decrease in value between the years was $0.2 million. The decrease in the fair market value of the SWAP in fiscal year 2022 was less than the decrease recognized in fiscal year 2021 by $0.3 million.
- During fiscal year 2023, increased interest rates and significantly higher investment balances resulted in an increase in investment reveneus of $2.0 million. The increase in revenues for 2022 was $0.1 million.
- During fiscal year 2023, servicing fees remained relatively constant compared to the prior year. During fiscal year 2022, servicing fees decreased by $1.0 million due to no longer processing unemployment claims for the state of New Mexico which was performed during the pandemic.
- During fiscal year 2023, other revenue fell by $1.4 million, while there was an increase in fiscal year 2022 of $0.4 million. During fiscal years 2022 and 2023, collections revenue fell by $0.3 million and $0.6 million, respectively, due to federal government restrictions on collections on defaulted accounts as a result of the pandemic. In June of fiscal year 2022, the Paycheck Protection Program loan that the Foundation had been granted in fiscal year 2021, along with the interest that had accrued, was forgiven by the U.S. Small Business Adminsitraion, resulting in an increase of other revenues of $0.8 million.
- For the year ended June 30, 2023, Debt Fund revenue increased by $7 million over the previous year primarily due to higher interest rates on loans and investments. General Fund revenue decreased $1.0 milllion primarily due to reductions in collections revenue and the effect of receiving the Paycheck Protection Program loan forgiveness in 2022. For the year ended June 30, 2022, Debt Fund revenue increased by $0.3 million over the previous year primarily due to lower special allowance amounts and a lower loss on the derivative instrument compared to 2021. General Fund revenue decreased $0.8 milllion primarily due to lower student loans revenues and decreased collections fees.

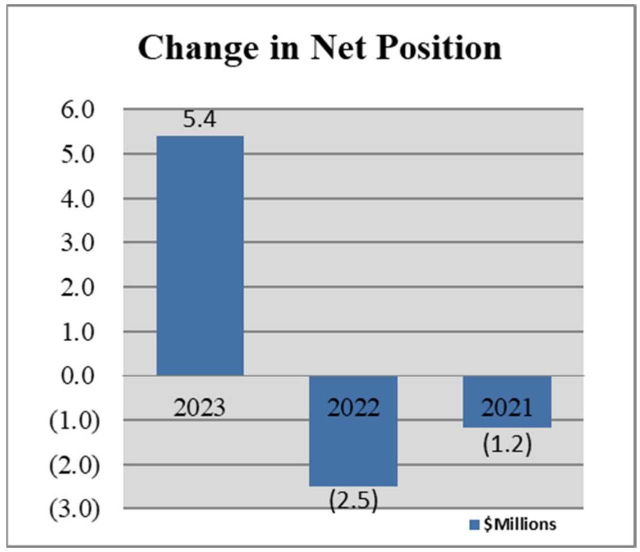
Total expenses for the year ended June 30, 2023 were $13.5 million, which was a decrease of $1.4 million or more than 9.6% over the prior year expense. Total expenses for the year ended June 30, 2022 were $14.9 million, which was an increase of $0.2 million or more than 1.3% over the prior year expense. The primary drivers behind the changes were:



- In 2023, Interest Expense decreased by $0.8 million due to lower bonds payable balances and due to recognition of the premium on bonds that were paid earlier than forecasted. In 2022, Interest Expense increased by $0.3 million due to prepaid interest that was fully recognized with the debt restructure and the resulting payoff of the 2013 bond.
- During fiscal year 2023, employee related costs increased by $0.1 million due to increased wages to offset inflationary pressures on staff; ED fees decreased $0.3 million due to the reduction in the student loans receivable portfolio; bad debt expense increased by $0.7 million; trust related expenses decreased by $1.0 million due to the shrinking portfolio and all other expenses decreased by $0.1 million. During fiscal year 2022, employee related costs decreased by $0.7 million due to reduction in staff; ED fees decreased $0.1 million due to the reduction in the student loan receivable portfolio, bad debt expense increased by $0.1 million, trust related expenses increased by $0.8 million due to the cost of issuance for the 2021 bond, and other and depreciation expenses decreased by $0.2 million..
- In 2023, the Debt Fund expenses decreased by $1.5 million due to lower interest expenses. The General Fund operating expenses increased by $0.01 million mainly due to the increased employment costs. In 2022, the Debt Fund expenses increased by $0.8 million due to cost of issuance for the new bond issue and recognition of prepaid interest that was being amortized for the 2013 bonds. The General Fund operating expenses decreased by $0.6 million mainly due to lower salaries and fringe benefits.

For the year ended June 30, 2023, the Change in Net Position was $5.4 million, an increase of $7.9 million from the prior year. The Change in Net Position was primarily driven by the higher interest rates and the reduction in interest due on the bonds outstanding. Another $0.5 million increase was due to the reduction in non-operating losses. For the year ended June 30, 2022, the Change in Net Position was $2.5 million, a decrease of $1.3 million from the prior year. The Change in Net Position was due to lower student loan revenues (including defaulted loan collections), a loss recognized on the retired derivative instrument, expensing prepaid interest on retired debt, cost of issuance for the new bond, and premiums paid to retire old debt. These losses were partially offset by decreases in salaries and fringe benefits and the Paycheck Protection Program loan forgiveness.

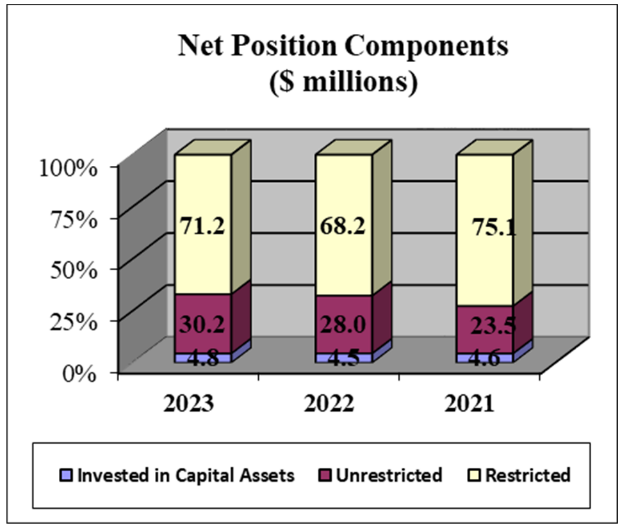
- As of June 30, 2023, the Debt Fund increased net position by $2.9 million while the General Fund increased net position by $2.5 million. The Debt Fund's increase to net position was primarily due to higher earnings in the student loan portfolio with lower interest expenses which were more than adequate to offset the transfer to the General Fund (see below). The General Fund's increase was primarily due to transfers from the Debt Fund. In comparison, for the year ended June 30, 2022, the Debt Fund decreased net position by $6.9 million while the General Fund increased net position by $4.4 million. The Debt Fund's decrease to net position was primarily due to the costs associated with the 2021 bond restructure and the associated transfers to the General Fund (see below). The General Fund's increase was primarily due to transfers from the Debt Fund and the Paycheck Protection Program loan forgiveness.



The primary inter-fund transactions are periodic payments to the General Fund from the Debt Fund of a "trust administrative allowance." The allowance is a federally prescribed yield on the student loan receivable balance that can be utilized unencumbered by the agency to cover general administrative costs. The allowance comprised 30% of the General Fund's Total Revenues for the year ended June 30, 2023 while the dollar amount decreased 18.8%. The allowance comprised 51% of the General Fund's Total Revenues for the year ended June 30, 2022 while the dollar amount decreased 2.6%. The allowance is driven by the balance in student loans receivable. In consolidating the two Funds for presentation in the financial statements, trust administrative allowance revenue and expense were eliminated from the Statement of Revenues, Expenses, and Changes in Net Position.

Additional inter-fund transactions were made from the Debt Fund to the General Fund in the amount of $4.6 million during the 2023 fiscal year due to assets released from restricton as a result of the debt indenture requirements for the 2021 bonds. These transfers between the two funds were also eliminated from the Statement of Revenues, Expenses, and Changes in Net Position.

The amount of net position invested in capital assets at June 30, 2023 was $4.8 million, an increase of $0.2 million from the prior year. The amount of net position invested in capital assets at June 30, 2022 was $4.5 million, a decrease of $0.1 million from the prior year.



In 2023, the increase was mainly due to expenditures by the Foundation for energy-efficient upgrades which was offset by continued depreciation on existing capital assets. In 2022, the decrease was due to lower purchases by the Foundation and continued depreciation on existing capital assets. For the fiscal year Ended June 30, 2023, the Restricted Net Position balance of $71.2 million, which must be reserved to collateralize outstanding bond debt – increased by $3.0 million. For the fiscal year Ended June 30, 2022, the Restricted Net Position balance of $68.2 million, which must be reserved to collateralize outstanding bond debt – decreased by $6.9 million. Unrestricted net position, which is unencumbered, increased by $2.2 million to $30.2 million as of June 30, 2023 and increased by $4.5 million to $28.0 million as of June 30, 2022.

IV. Analysis of Significant Budgetary Variations

In June 2022 and June 2021, respectively, the Foundation's board of directors adopted the fiscal year 2022-2023 and 2021-2022 operating budgets for the Debt Fund, the General Fund and the entity as a whole. These budgets were final, although not legally binding and therefore are not an integral part of the financial statements. It is the Foundation's policy to freeze the revenue and expense budget as initially approved and treat new income streams and subsequent approved expenses as non-budgeted items during the year.

In fiscal year 2023, actual total revenues of $19.0 million was above the budgeted $13.0 million by $6 million or 46.0%. The increase in revenues was due to higher than projected student loan and investment revenues, which more than offset the Paycheck Protection Program loan forgiveness that was projected to be received in fiscal year 2023 but was received prior to June 30, 2022 .These gains were further enhanced by $0.5 million less than budgeted expenses for the year. Total expenses (combined operating and non-operating) of $13.5 million were favorable to the budget of $14.0 million. The change in net position of a $5.4 million increase was greater than the budgeted decrease in net position of $1.0 million by $6.4 million due significantly higher student loan and investment revenues coupled with lower operating expenses.

In fiscal year 2022, actual total revenues of $13.0 million was above the budgeted $13.0 million by $33 thousand or 0.2%. The increase in revenues was due to higher than projected student loan loan revenues and higher revenues than budgeted for the Paycheck Protection Program loan forgiveness. These gains were offset by a $0.2 million recognized loss in the fair market value of the derivative instruments held by the Foundation and lower collections revenues than projected. Total expenses (combined operating and non-operating) of $14.9 million were unfavorable to the budget by $0.8 million or approximately 5.3% over budget primarily due to cost of issuance expenses for the 2021 bond issue. The change in net position of a $2.5 million decrease was greater than the budgeted decrease in net position of $1.2 million by $1.3 million due costs associated with the 2021 bond restructure.

V. Description of Significant Capital Asset and Long-Term Debt Activity

Capital Assets:

The approved capital budget for the year ended June 30, 2023 was $3.9 million. The major categories of capital expenditures during the year were Information Technology (IT) Hardware, IT Software and Building Improvements. The total capital expenditures for the year were $864 thousand or $3.0 million under budget. The capital budget included $3.4 million for an Energy Upgrade project including upgrades to the lighting and HVAC systems and installation of solar panels for the companies building. The contract for this project came in at $2.4 million, lower than budgeted by $1.0 million. The Foundation had paid $560 thousand on the project by June 30, 2023 and the remainder will be completed in fiscal year 2024.

The approved capital budget for the year ended June 30, 2022 was $222 thousand. The total capital expenditures for the year were $181 thousand or $41 thousand under budget. The major categories of capital expenditures during the year were Information Technology (IT) Hardware and IT Software along with Building Improvements.

Long-Term Debt:

In December of 2021, NMEAF issued the 2021 1A (Tax-Exempt) and 2021 1B (Taxable) bond issues to reorganize the organization's debt to gain more favorable rates and repayment structures. In the restructure, the Foundation paid off the following: 2007 Tax-Exempt and Taxable Bonds, the 2010-1 and 2010-2 Bonds, the 2013 Bonds, 2016 Bonds, 2018 Bonds, and the Line of Credit with Bank of America. In addition, rehabilitiated loans held in the general fund were refinanced with the 2021 Bond Issues. All of the debt issued was fixed rate debt. Due to increased interest rates during fiscal year 2023, the Foundation realized higher revenues while expenses were not affected.

VI. Subsequent Events

The Foundation reviewed it's eligibility for the Employee Retention Tax Credit and found that it was eligible for the credit during the first three quarters of the 2021 calendar year. Documentation has been submitted to capture this credit and it is pending review by the Internal Revenue Service. The anticipated amount of the credit is $1.2 million and is not currently reflected on the financial statements.

Requests for Information

This report is designed to provide an overview of NMEAF's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Assistant Vice President of Finance, 7400 Tiburon NE, Albuquerque, NM 87109.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Net Position

As of June 30, 2023 and 2022 (Restated)

		June 30, 2023		June 30, 2022 (Restated)
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	2,868,916	$	15,516,745
Cash and Cash Equivalents – Restricted		1,980,449		1,623,303
Funds Held In Custody for Others		117,747		118,124
Investments		62,351,766		43,091,124
Receivables:				
Current Portion of Student Loans Receivable, Net of Allowance of $315,383 and $338,559		38,943,011		82,916,994
Student Loan Interest Receivable Net of Allowance of $141,484 and $159,645		15,353,000		18,439,609
Accrued Interest Receivable		212,095		25,378
Interest Subsidy and Special Allowance Receivable		1,349,035		137,997
Student Loan Late and Legal Fees Receivable, Net of Allowance of $219,466 and $351,704		406,367		651,302
Other		711,695		544,495
Total Current Assets		124,294,081		163,065,071
Long-Term and Other Assets:				
Student Loans Receivable, Net, Less Current Portion		155,972,937		181,071,723
Equity Method Investments		3,241,473		660,900
Prepaid Interest		781		1,436
Lease Receivable		31,721		49,601
Total Long-Term and Other Assets		159,246,912		181,783,660
Capital Assets:				
Furniture & Equipment		7,365,899		7,045,274
Building & Building Improvements		7,218,973		6,719,756
Land		1,011,520		1,011,520
Automobile		23,864		23,864
Leases and SBITAs		710,959		691,706
Less: Accumulated Amortization and Depreciation		(11,573,659)		(10,943,415)
Property, Plant & Equipment, Net		4,757,556		4,548,705
Total Assets	$	288,298,549	$	349,397,436
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$	802,400	$	954,380
Bonds Payable, Current Portion		47,378,580		31,299,324
Special Allowance Payable		-		886,638
Accrued Interest on Bonds & Notes Payable		1,942,225		2,530,379
Total Current Liabilities		50,123,205		35,670,721
Long-Term Liabilities:				
Bonds Payable, Less Current Portion		131,264,597		212,008,775
Arbitrage Payable		124,722		-
Leases Payable		278,037		418,982
Total Long-Term Liabilities		131,667,356		212,427,757
Deferred Inflow of Resources:				
Other Deferred Gain		385,579		590,523
Total Deferred Inflow of Resources		385,579		590,523
Total Liabilities and deferred inflows of resources		182,176,140		248,689,001
NET POSITION				
Invested in Capital Assets		4,757,554		4,548,705
Unrestricted		30,211,859		27,959,596
Restricted, Bond Indenture		71,152,996		68,200,134
Total Net Position		106,122,409		100,708,435
Total Liabilities, deferred inflows and Net Position	$	288,298,549	$	349,397,436

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2023 and 2022 (Restated)

	June 30, 2023	June 30, 2022 (Restated)
OPERATING REVENUES:		
Student Loan Interest	$ 11,452,172	$ 14,384,466
Interest Subsidy and Special Allowance	3,494,218	(4,813,725)
Increase (Decrease) in Fair Market Value of Derivative Instruments	-	(195,157)
Investment Revenue	1,872,052	68,580
Unrealized Gain in Treasury Investments	185,619	-
Student Loan Late and Legal Fees, Net	(97,460)	56,358
Servicing and Administration Agreements:		
New Mexico Student Loan Guarantee Corporation	1,326,747	1,296,972
Servicing Fees	284,631	271,810
Other	496,167	1,919,597
Total Operating Revenues	19,014,146	12,988,901
OPERATING EXPENSES:		
Interest Expense on Bonds, Notes and Leases Payable	3,876,059	4,677,526
General and Administration:		
Salaries and Employee Benefits	4,740,416	4,679,437
Depreciation and Amortization	674,215	694,800
Provision for Student Loan Losses	911,704	228,876
U.S. Department of Education Fees	1,072,337	1,384,974
Other	2,127,790	2,140,667
Trustee Fees, Debt Issuance Costs, Commitment Fees and Other Trust Expenses	53,638	1,075,509
Total Operating Expenses	13,456,159	14,881,789
Operating Income (Loss)	5,557,987	(1,892,888)
NON-OPERATING INCOME:		
Gain (Loss) on Equity Method Investments	(19,291)	54,440
Gain (Loss) on Early Debt Retirement	-	(664,830)
Arbitrage Rebate	(124,722)	-
Change in Net Position	5,413,974	(2,503,278)
NET POSITION:		
Beginning	100,708,435	103,211,713
Ending	$ 106,122,409	$ 100,708,435

See accompanying notes to financial statements.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Cash Flows
Fiscal Years Ended June 30, 2023 and 2022 (Restated)

	June 30, 2023	June 30, 2022 (Restated)
Cash Flows From Operating Activities:		
Cash Received From or on Behalf of Borrowers	$ 81,895,248	$ 56,723,362
Cash Disbursed to or Paid on Behalf of Borrowers	1,093,689	(8,198,358)
Cash Received From Others	1,940,345	2,989,603
Cash Paid to Employees	(4,740,416)	(4,813,947)
Cash Paid to Suppliers	(2,163,237)	(2,169,628)
Cash Received From Investments	1,685,335	43,254
Cash Paid for Interest on Bonds/Notes	(7,124,135)	(3,021,785)
Net Cash Provided by Operating Activities	72,586,829	41,552,501
Cash Flows From Non-Capital Financing Activities:		
Proceeds on Bonds and Notes		221,500,677
Payments on Bonds and Notes	(62,005,000)	(224,598,922)
Trust Expenditures	(53,638)	(826,953)
Net Cash Used by Non-Capital Financing Activities	(62,058,638)	(3,925,198)
Cash Flows From Capital and Related Financing Activities:		
Purchase of Property & Equipment	(831,986)	(195,211)
Purchase of Right to Use Asset	-	-
Proceeds on Capital Leases	-	-
Payments on Capital Leases	(146,050)	(203,976)
Net Cash Used by Capital and Related Financing Activities	(978,036)	(399,187)
Cash Flows From Investing Activities:		
Redemption of Investments	122,771,691	295,989,127
Purchases of Investments	(144,612,906)	(319,937,053)
Funds Held in Custody for Others	377	2,656
Net Cash Used by Investing Activities	(21,840,838)	(23,945,270)
Net (Decrease in Cash and Cash Equivalents	(12,290,683)	13,282,846
Cash and Cash Equivalents, Beginning of Period	17,140,048	3,857,202
Cash and Cash Equivalents, End of Year	$ 4,849,365	$ 17,140,048

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NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Cash Flows
Fiscal Years Ended June 30, 2023 and 2022 (Restated)

	June 30, 2023	June 30, 2022 (Restated)
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 5,557,987	$ (1,892,888)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Decrease in Fair Market Value of Derivative Instrument		195,157
Depreciation and Amortization Expense	674,215	694,800
Trustee Fees, Amortization of Debt Issuance Costs, Commitment Fees & Trust Expense,		1,075,509
Amortization of Bond Premium & Discount	(2,659,922)	(1,727,381)
Unrealized Gains and Losses	(185,619)	133,441
Changes in Assets & Liabilities:		
Decrease in Student Loans Receivable, Net	69,072,769	41,289,587
Decrease (Increase) in Student Loan Interest Receivable, Interest Subsidy & Special Allowance Payable, and Late & Legal Fees Receivable	1,233,868	(247,585)
(Increase) Decrease in Other Current Assets	(336,037)	96,897
(Increase) Decrease in Prepaid Interest on Bonds	(781)	297,912
(Decrease) Increase in Accounts Payable, Accrued Liabilities, and Accrued Interest	(769,651)	1,635,052
Net Cash Provided by Operations Activities	$ 72,586,829	$ 41,552,501
Supplemental Disclosures of Cash Flow Information:		
Interest Collected on FFELP Student Loans	$ 9,701,128	$ 7,405,576
Interest Subsidy and Special Allowance (Paid to) Collected from the U.S. Department of Education	$ 1,396,542	$ (5,493,032)
Payments on Notes Payable	$ -	$ (17,550,000)
Proceeds on Notes Payable	$ -	$ 2,200,000
Principal Amount of Bonds Issued	$ -	$ 208,000,000
Principal Amount of Bonds Refunded or Retired	$ (62,005,000)	$ (203,596,550)

See accompanying notes to financial statements.

(1) Organization

The New Mexico Educational Assistance Foundation (the "Foundation" or NMEAF) was organized under the laws of the State of New Mexico on July 1, 1981, as a quasi-governmental, not-for-profit organization for the purpose of improving the educational opportunities of the residents of New Mexico and students who attend New Mexico post-secondary educational institutions. The Foundation services loans and provides administrative support and other services for in-state educational and lending institutions. The Foundation also provides administrative support for the New Mexico Student Loan Guarantee Corporation (Corporation), a not-for-profit entity operating as a guarantee agency under the Federal Family Education Loan Program (FFELP).

The Foundation's primary purpose was to provide a program for making, financing, holding, and purchasing federally insured educational loans. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (H.R. 4872/P.L. 111-152) was signed into law. This act eliminated the disbursement of new loans under the Federal Family Education Loan Program. As of July 1, 2010, the Foundation no longer originates or disburses student loans under this program.

During 2019, the Foundation created a wholly owned for-profit entity and invested $1 million in this newly created entity. The purpose of this entity was to purchase the assets of an established business to provide an additional source of revenue to support the mission of the Foundation. Management has reviewed the relevant accounting guidance and has determined that this entity is not a component unit and should be accounted for as an investment. The Foundation has no component units. During 2023, the Foundation invested $2.5 million for a fifty percent ownership in CUBIT Fund LLC and $99.8 thousand in Green Street Impact Partners Fund to enhance it's investment returns and to generate additional funding to support the company's mission. Neither of these entities are components units and are accounted for as investments.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Foundation meets the definition of a governmental entity as set forth in the AICPA Audit and Accounting Guide, *Audits of State and Local Governmental Units*. The financial statements of the Foundation are prepared on the basis of an enterprise fund as defined by Governmental Accounting Standards Board (GASB). Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the entity is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the entity has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Foundation's government wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into one column and consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and

Statement of Cash Flows. The Foundation carries on no governmental activities. It has neither fiduciary funds nor component units that are fiduciary in nature.

Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred.

Amounts reported as program revenues include:

- Borrower interest income and fees;
- Federal subsidies;
- Investment interest income;
- Loan servicing and other revenue.

Essentially all of the Foundation's revenues are program revenues.

Enterprise funds distinguish operating revenues and expenses from non-operating items. All of the Foundation's revenue streams are considered operating in nature. The principal non-operating expenses (income) are from the earnings on the Foundation's equity method investment.

When both restricted and unrestricted net position are available to cover a designated expense, it is the Foundation's policy to use restricted resources first, and then utilize unrestricted resources as they are needed.

(b) Fund Accounting

The General and Debt Funds (Funds) are separate sets of self-balancing accounts established to account for all transactions pertaining to the general administration, student lending and debt issues of NMEAF. These funds do not meet the criteria for reporting as separate funds in the accompanying financial statements, but are used for internal reporting purposes. Each fund utilizes the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The effect of interfund activity has been eliminated from the combined financial statements.

All transactions relating to the Funds, which are not presented distinctly in the financial statements, are recorded as described below:

- General Fund: The receipt of revenue and transfers for the payment of expenses for the administration of the Foundation's programs are recorded in the General Fund.

- Debt Fund: Transactions relating to the Foundation's borrowings to finance student loans through the issuance of debt are recorded in the Debt Fund. All revenue and expenses associated with these student loans and all related trust indenture activity are recorded in this fund. The Debt Fund reimburses the General Fund for expenses incurred on its behalf. Various assets and liabilities of each respective debt issue are combined in the accompanying balance sheet although there are various restrictive covenants associated with each issue. Net Position of the Fund generally are restricted for the repayment of Debt

Fund obligations and to satisfy certain reserve requirements specified by the various indentures.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. The allowance for student loan losses, late and legal fees, special allowance revenue, arbitrage rebate and excess earnings liabilities, and the derivative instruments are the principal areas involving estimates and judgments. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents, Cash and Cash Equivalents – Restricted, Investments

The Foundation considers cash on hand, in banks, and similar highly liquid instruments to be cash and cash equivalents. Cash equivalents are carried at cost. Cash earmarked for loan disbursement to students and cash collected on student loans but not yet remitted to the bond trustees are restricted from use for NMEAF operations and are shown as Cash and Cash Equivalents – Restricted on the Statement of Net Position. The Foundation considers all other invested funds to be Investments.

Funds held by bond trustees, recorded as investments on the Statement of Net Position, consist of the following:

- Money market and deposit funds that are fully secured by a pledge of direct obligations of or guaranteed by the United States of America or certain federal agencies. These investments are carried at cost, which approximates market value.

The Foundation follows GASB 72 and records all investments at fair value. On January 29, 2019, NMEAF’s wholly owned for-profit entity purchased the assets, including the name of Collection Resources, Inc. (CRI). During 2023, the Foundation invested $2.5 million in CUBIT Fund LLC and $99.8 thousand in Green Street Impact Partners Fund. The CUBIT Funds is equally owned by the Foundation and the New Mexico Student Loan Guarantee Corporation. The investments for CRI and CUBIT have been adjusted for the earnings and losses as of the year-end. The adjustments are recorded in the Statement of Revenues, Expenses, and Changes in Net Position as Loss on Equity Method Investment. Dividends received from the Investments decrease the carrying amounts of the Investments.

(e) Purchase Discounts

The Foundation deferred the recognition of discounts received on student loan notes repurchased through rehabilitation from the New Mexico Student Loan Guarantee Corporation and amortizes the discounts over the estimated life of the loans as an adjustment to the yield of the related loans. Amortization of these costs is included in Other Revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

(f) Student Loan Late and Legal Fees Receivable

The Foundation records late and legal fees to each borrower's account when assessed, in accordance with its litigation policy. However, management believes that a portion of these amounts will not be received from the borrower. As a result, NMEAF records late and legal fees revenue, net of estimated amounts deemed uncollectible.

(g) Allowance for Student Loan Losses

The Foundation provides allowances for the following items in the student loan portfolio: student loans receivable (principal), student loan interest, and late and legal fees receivable. To the extent NMEAF has properly serviced the student loan portfolio in accordance with the U.S. Department of Education's (ED) due diligence regulations and other requirements, student loan principal and interest receivable is insured by the ED between 97% and 100%, depending on the year of origination, of the principal and interest balance during the year. Student Loans guaranteed by the Federal Government for the years ended June 30, 2023 and 2022 were $192,572,752 and $261,849,984, respectively.

Allowance considerations are applied at a much higher ratio to student loan late and legal fees receivable balances because the only recourse for collection of such receivables is the borrower. Allowances recorded by NMEAF are amounts that, in the judgment of management, are adequate to absorb known and estimated risks in the student loan portfolio. Management considers various factors in providing for these losses, including the amount of loans with due diligence violations, litigation results and estimated successful due diligence cure and collection results on student loans.

(h) Derivative Instruments

The Foundation accounted for derivative instruments using GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). This Statement requires the Foundation to report its derivative instruments at fair value. Changes in fair value for effective hedges are to be reported as deferred inflow and outflow of resources on the Statements of Net Position. Changes in fair value of derivative instruments not meeting the criteria for an effective hedge, or that are associated with investments are to be reported in the Statements of Revenues, Expenses and Changes in Net Position.

The Foundation has determined that its interest rate swaps associated with variable rate obligations are derivative instruments under GASB 53. See Note 7 Derivative Instruments for further discussion related to the Foundation's interest rate swaps.

The Foundation retired it's remaining outstanding derivative instrument during the 2022 fiscal year during the restructure of it's bond indentures. At this time, a loss was recognized for the amount received at retirement versus the instruments book value as reflected in the Statements of Revenues, Expenses, and Changes in Net Position.

(i) Premiums, Discounts, and Gains/Losses on Refunding

Bonds payable are reported net of the applicable bond premiums and discounts. When bonds are fully retired or refunded, all associated premiums or discounts from the retired or refunded bond series are recognized as a loss or gain in the period of refund or retirement.

(j) Bond Issuance Costs

Bond issuance costs, including underwriter's fees are expensed at issuance.

(k) Capital Assets

Capital assets are recorded at cost, net of accumulated depreciation. The capitalization threshold is $1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of the capital assets are as follows:

Building	30 years
Building improvements	10 years
Furniture and fixtures	10 years
Software Development and Building Equipment	5 years
Data processing hardware, other than personal computers	4 years
Data processing hardware, personal computers	3 years
Data processing software	3 years
Vehicles	3 years

Maintenance and repairs that do not extend the assets' useful lives are charged to expense as incurred. Leases are capitalized and amortized over the lease term. The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset

(l) Restricted Net Position

Assets held as collateral on outstanding Bonds and Notes Payable are classified as Restricted Net Position.

(m) Revenue Recognition

The Foundation records student loan interest, interest subsidy, and special allowance as revenue when earned.

Under the FFELP program, the ED makes quarterly interest payments to the Foundation while the subsidized Stafford loan is in an in-school or in-grace status and until the student is required, under the provisions of the Higher Education Act, to begin repayment. Interest becomes due from individual borrowers once the loan goes into repayment status. Interest on non-subsidized loans is due from individual borrowers once the loan is disbursed. Borrowers under the FFELP program may defer their interest payments on unsubsidized Stafford loans until the end of their in-school and in-grace period. Interest, both subsidized and due from the borrower, is equivalent to the annual student loan interest rate multiplied by the daily unpaid loan balance.

The ED also provides a special allowance subsidy to lenders participating in the FFELP. Special allowances are computed and paid quarterly on the average daily unpaid principal balance of qualifying student loans outstanding based on an annual rate equal to the average bond equivalent rate of 9l-day United States Treasury Bills for subsidized loans during the calendar quarter, or for loans first disbursed after January 1, 2000, the 90-day commercial paper rate. For loans first disbursed on or after April 1, 2006, if the special allowance calculation based on the 90-day commercial paper rate is less than zero, the Foundation must return this "negative" special allowance to the ED. Effective April 1, 2012, the Foundation elected to waive the 3-month commercial paper rate in favor of the 1-month LIBOR rate in accordance with the H.R. 2055, the Consolidated Appropriations Act. Beginning on July 1, 2023, LIBOR lenders are being transitioned to a formula based upon the Secured Overnight Financing Rate (SOFR) in accordance with the Adjustable Interest Rate (LIBOR) Act.

The Foundation records interest subsidy and special allowance, net of any negative special allowance, as revenue when earned. Late and legal fees are recorded as revenue when they have been assessed to each borrower's account in accordance with NMEAF's litigation policy or with the Department of Education's regulations. Service agreement revenue is recorded as earned over the life of the contract, and servicing fees are recorded as earned. Collection revenue on defaulted student loans, commercial collections, and school receivables is recognized and accrued in the time period earned.

(n) Reserves for Excess Earnings and Arbitrage Rebate

Arbitrage rebate and excess earnings that are owed to the United States Department of Treasury are recorded as separate reserves and are based on calculations performed by independent valuation specialists on an ongoing basis.

(o) Income Taxes

The Foundation is a tax-exempt, quasi-governmental organization under Section 501(c) (3) of the Internal Revenue Code (IRC). The Foundation recognized unrelated taxable business income fiscal year 2022 of $1,202 from interest from a note from Collections Resources Inc. (CRI) thus incurring a tax expense of $42. There was no interest from the note in fiscal year 2023 and other taxable revenue has been completely offset by associated expenses.

(p) Recent Accounting Pronouncements

GASB Statement 96, *Subscription-Based Information Technology Arrangements (SBITAs*), went into effect for fiscal years beginning after June 15, 2022 and was effective for fiscal year 2023. SBITAs, as defined in this statement, are contracts that convey control of the right to use another party's information technology software, along or in combination with tangible capital assets. This requires a government to report subscription assets and subscription liabilities for SBITAs and to disclose essential information about the arrangement. To the extent relevant, the standards for SBITAs are based on the standards established for Leases in Statement No. 87, as amended. Management has assessed the impact of this Statement on the Foundation's SBITAs and implemented this Statement this fiscal year along with restated financial statements for 2022

GASB Statement No. 87, *Leases,* was issued in June 2017 and would have been effective for fiscal year 2020 but was postponed to fiscal years beginning after June 15, 2021 (early application is encouraged). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has assessed the impact of this Statement on the Foundation's equipment leases and tenant leases and implemented this Statement in fiscal year 2022.

GASB Statement No. 93, *Replacement of Interbank Offered rates*, was issued in March of 2020. Removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022, while the other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. This statement addresses the expected upcoming expiration of the London Interbank Offered Rate (LIBOR) at the end of 2021, which was extended to 2023, and governments are prompted to amend or replace financial instruments by replacing LIBOR with other reference rates. This change in reference rate may also trigger aspects of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and Statement No. 87, *Leases*. While the Foundation is not under the same obligation to terminate or change the index rate on a Hedge transaction, the Foundation did retire a derivative SWAP agreement on a bond issue that is affected by this pronouncement in December of 2021. Special Allowance amounts calculated by the Department of Education for the Foundation are primarily calculated with the LIBOR rate. The Department of Education is transitioning calculations for special allowance that utilize LIBOR to the Secured Overnight Financing Rate (SOFR) on June 30, 2023.

Also related to Leases is GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPP*), issued in March of 2020 and is effective for fiscal year 2023 after being postponed one year by Statement No. 95 due to COVID 19. The Foundation does not currently have any public-private and public-public partnership arrangements (PPPs) that fall under this guidance.

Recent pronouncements effecting future periods include:

- GASB Statement No. 101, *Compensated Absences,* was issued in June 2022 and is effective for fiscal years beginning after December 15, 2023 but early application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Management is assessing the impact of this Statement on the Foundation's current policy for adjusting the liability for compensated absences.

(q) Subsequent Events

In September of 2023, the student loan payment pause that was initiated during the pandemic ended for loans held by the Department of Education. While the loans held by the Foundation have resumed collections at an earlier date, the Foundation will resume collections on defaulted student loans as payments resume in October.

The Foundation reviewed it's eligibility for the Employee Retention Tax Credit and found that it was eligible for the credit during the first three quarters of the 2021 calendar year. Documentation for this credit has been submitted to the IRS with the hope this will be received in fiscal year 2024. The total credit amount is anticipated to be $1.2 million.

Effective April 1, 2012, the Foundation elected to waive the 3-month commercial paper rate in favor of the 1-month LIBOR rate for Special Allowance calculations. At the beginning of fiscal year 2024, LIBOR is no longer an available rate for FFELP servicers and all servicers are being transitioned to the 30-day Secured Overnight Financing Rate (SOFR) with a .11448 percent spread.

(3) Cash and Cash Equivalents and Investments

The Foundation considers cash deposits in banks (both restricted and unrestricted), unrestricted money market funds, and cash on hand to be cash and cash equivalents. Other invested funds, including guaranteed investment contracts, U.S. Treasury securities, trustee-held money markets, and certificates of deposit, are classified as investments. For purposes of presentation on this footnote, all cash and cash equivalents and investments are displayed in a single schedule.

(a) Concentration of Credit Risk

The Foundation's investment policy specifies that the Foundation may invest in the following asset classes:

- overnight repurchase agreements linked to operating accounts;
- direct purchase of US Government securities and investment vehicles that purchase US Government securities;
- secured certificates of deposit and investment vehicles that purchase such certificates of deposit;
- secured money market accounts and money market accounts investing in U.S. Government securities;

• New Mexico State Treasury investment pool. Funds are invested in the Local Government Investment Pool (Pool-4101).

As of June 30, 2023, one hundred percent of total cash and investments are in money markets that invest in government securities. The remaining cash is in repurchase agreements or demand deposit accounts.

As of June 30, 2022, one hundred percent of total cash and investments are in money markets that invest in government securities. The remaining cash is in repurchase agreements or demand deposit accounts.

(b) Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. NMEAF has a policy to ensure sufficient collateral on its deposits through U.S. Agency Securities to meet state requirements.

Investments listed below are money markets that invest in government securities and they are carried at cost, which approximates market value due to the short-term nature of the accounts. The credit ratings of these investments are obtained from Moody's Investors Service. They are restricted to the extent required by the bond indentures. Money market funds have no stated maturities.

Cash and cash equivalents and investments balances, June 30, 2023**:**

	Maturity	**Rating**		**Fair Value**
Money Market Funds – Northern Inst. Funds	N/A	Aaa	$	46,603,511
Short-Term Treasury Investments	N/A	AAA		10,273,038
CDs – Bank of Oklahoma and Bank of the West	N/A	Aaa		5,475,000
Money Market Funds – Fidelity-Treasury	N/A	Aaa		217
Total Investments				62,351,766
Money Market Fund – Bank of the West	N/A	N/A		146,440
Demand Deposits and Cash on Hand	N/A	N/A		4,820,672
Total			$	67,318,878

Cash and cash equivalents and investments balances, June 30, 2022**:**

	Maturity	**Rating**		**Fair Value**
Money Market Funds – Northern Inst. Funds	N/A	Aaa	$	41,115,907
CD – Bank of Oklahoma	N/A	Aaa		1,975,000
Money Market Funds – Fidelity-Treasury	N/A	Aaa		217
Total Investments				43,091,124
Money Market Fund – Bank of the West	N/A	N/A		146,425
Demand Deposits and Cash on Hand	N/A	N/A		16,993,623
Total			$	60,231,172

(c) Investment Fair Value Measurement

GASB Statement No.72 *Fair Value Measurements and Disclosures* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment and derivative instruments measured at fair value are as follows:

	Totals as of June 30, 2023	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities				
Money Market Accounts	$ 46,603,728	$ 46,603,728	$ -	$ -
Total Debt Securities	46,603,728	46,603,728	-	-
Treasury Investments	10,273,038	10,273,038		
CD's- Various Banks	5,475,000	5,475,000	-	-
Total CD's and Treasuries	15,748,038	15,748,038	-	-
Total Investments by Fair Value Level	$ 62,351,766	$ 62,351,766	$ -	$ -

	Totals as of June 30, 2022	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities				
Money Market Accounts	$ 41,116,124	$ 41,116,124	$ -	$ -
Total Debt Securities	41,116,124	41,116,124	-	-
Certificates of Deposit				
Various Banks	1,975,000	1,975,000	-	-
Total Certificates of Deposit	1,975,000	1,975,000	-	-
Total Investments by Fair Value Level	$ 43,091,124	43,091,124	$ -	$ -

(d) Equity Method Investments

During 2019, the Foundation invested $1.0 million in Collections Resources, Inc. (CRI). During 2023, the Foundation invested $2.5 million in CUBIT Fund LLC (CUBIT) for a fifty percent ownership in the entity and $99.8 thousand in Green Street Impact Partners Fund. During the year ended June 30, 2023, CRI had a loss of $73,426. The carrying amount of the investment is $587,474 at June 30, 2022. The Foundation's portion of profits for CUBIT was $54,135 during the 2023 fiscal year, while no gains or losses were reported by Green Street Impact Partners Fund. During the year ended June 30, 2022, CRI had net income of $54,440. The carrying amount of the investment is $660,900 at June 30, 2022.

(4) Student Loans Receivable

Student loans receivable by bond issue and status, June 30, 2023:

	Status		
Bond Issue	**Student**	**Repayment**	**Total**
General Fund	$ -	$ 1,986,631	$ 1,986,631
2001 Series A & B	-	3,365,387	3,365,387
2002 Series A	14,500	10,685,171	10,699,671
2003 Series A	26,537	12,086,963	12,113,500
2004 Series A	67,264	18,456,098	18,523,362
2021 1A	363,944	122,453,241	122,817,185
2021 1B	-	25,725,595	25,725,595
Total	472,245	194,759,086	195,231,331
Less allowance for uncollectible principal	(763)	(314,620)	(315,383)
Total	$ 471,482	$ 194,444,466	$ 194,915,948

Student loans receivable by bond issue and status, June 30, 2022:

	Status		
Bond Issue	**Student**	**Repayment**	**Total**
General Fund	$ -	$ 2,939,289	$ 2,939,289
2001 Series A & B	-	4,348,300	4,348,300
2002 Series A	19,213	14,210,325	14,229,538
2003 Series A	26,537	16,092,478	16,119,015
2004 Series A	67,264	23,973,352	24,040,616
2021 1A	594,401	160,682,559	161,276,960
2021 1B	-	41,373,558	41,373,558
Total	707,415	263,619,861	264,327,276
Less allowance for uncollectible principal	(906)	(337,653)	(338,559)
Total	$ 706,509	$ 263,282,208	$ 263,988,717

Student loans receivable had variable and fixed interest rates, ranging from 2.875% to 9% at June 30, 2022, and from 2.32% to 9% at June 30, 2022.

Student loans are classified as being in either "in-school/in-grace" or "repayment" status. In-school/in-grace status represents the period from the date the loan is made until a student is out of school for a grace period, plus any authorized deferment periods, at which time the repayment status commences. Substantially all student loans receivable are loans provided under the FFELP and are guaranteed.

Due to anticipated accelerated prepayments, management estimates that approximately $38.9 million or about 20.0% of the outstanding balance of student loans receivable will be received within one year for 2022. Generally, student loans are structured with a ten-year repayment period.

(5) Capital Assets

Capital asset activity, year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets, Not Being Depreciated:				
Land	$ 1,011,520	$ -	$ -	$ 1,011,520
Total Capital Assets, Not Being Depreciated	1,011,520	-	-	1,011,520
Capital Assets, Being Depreciated and Amortized:				
Building, Building Equipment and Improvements	7,008,774	620,359	(16,663)	7,612,470
Furniture and Fixtures	706,820			706,820
Data Processing Hardware	2,615,707	216,14 3		2,831,850
Data Processing Software	3,433,729			3,433,729
Vehicles	23,864			23,864
Right of Use Disaster Recovery Site	299,539			299,539
Right of Use Building Equipment	30,256	12,906	(30,256)	12,906
Subscription-Based Information Technology Arrangements	361,911	36,604		398,515
Total Capital Assets, Being Depreciated & Amortized	14,480,600	886,012	(46,919)	15,319,693
Less Accumulated Depreciation and Amortization:				
Building, Building Equipment and Improvements	(4,405,884)	(320,786)	44,395	(4,682,275)
Furniture and Fixtures	(681,979)	(8,376)		(690,355)
Data Processing Hardware	(2,298,916)	(161,518)		(2,460,434)
Data Processing Software	(3,374,498)	(52,300)		(3,426,798)
Vehicles	(23,201)	(663)		(23,864)
Amortization Disaster Recovery Site	(54,463)	(27,231)		(81,694)
Amortization Building Equipment	(9,682)	(6,453)	9,682	(6,453)
Accumulated Amortization SBITA	(94,792)	(106,994)		(201,786)
Total Accum. Depreciation & Amortization	(10,943,415)	(684,321)	54,077	(11,573,659)
Total Capital Assets, Being Depreciated, Net	3,537,185	201,691	7,158	3,746,034
Capital Assets, Net	$ 4,548,705	$ 201,691	$ 7,158	$ 4,757,554

Capital asset activity, year ended June 30, 2022 (restated):

Notes to the Financial Statements
Fiscal Years Ended June 30, 2023 and 2022

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets, Not Being Depreciated:				
Land	$ 1,011,520	$ -	$ -	$ 1,011,520
Total Capital Assets, Not Being Depreciated	1,011,520	-	-	1,011,520
Capital Assets, Being Depreciated and Amortized:				
Building, Building Equipment and Improvements	6,948,375	60,399		7,008,774
Furniture and Fixtures	706,820			706,820
Data Processing Hardware	2,627,515	190,935	(202,743)	2,615,707
Data Processing Software	3,431,704	2,025		3,433,729
Vehicles	23,864			23,864
Right of Use Disaster Recovery Site	299,539			299,539
Right of Use Building Equipment	30,256			30,256
Subscription-Based Information Technology Arrangements		361,911		361,911
Total Capital Assets, Being Depreciated & Amortized	14,068,073	615,270	(202,743)	14,480,600
Less Accumulated Depreciation and Amortization:				
Building, Building Equipment and Improvements	(4,098,814)	(307,070)		(4,405,884)
Furniture and Fixtures	(673,043)	(8,936)		(681,979)
Data Processing Hardware	(2,342,929)	(158,062)	202,075	(2,298,916)
Data Processing Software	(3,288,585)	(85,913)		(3,374,498)
Vehicles	(15,247)	(7,954)		(23,201)
Amortization Disaster Recovery Site	(27,231)	(27,232)		(54,463)
Amortization Building Equipment	(4,841)	(4,841)		(9,682)
Accumulated Amortization SBITA		(94,792)		(94,792)
Total Accum. Depreciation & Amortization	(10,450,690)	(694,800)	202,075	(10,943,415)
Total Capital Assets, Being Depreciated, Net	3,617,383	(79,530)	(668)	3,537,185
Capital Assets, Net	$ 4,628,903	$ (79,530)	$ (668)	$ 4,548,705

Depreciation and Amortization expense, segregated by classification, is as follows:

	Year Ended June 30, 2023	Year Ended June 30, 2022
Building and Building Improvements	$ 310,681	$ 307,070
Furniture and Fixtures	8,375	8,936
Data Processing Hardware	159,813	158,062
Data Processing Software	54,006	85,913
Vehicles	662	7,954
Disaster Recovery Site	27,231	27,232
Building Equipment	6,453	4,841
SBITA Amortization	106,994	94,792
Total Accumulated Depreciation & Amortization	$ 674,215	$ 694,800

(6) Long-term Liabilities

Long-term liabilities for the year ended June 30, 2023:

	*Balance July 1, 2022	Increases	Decreases	Due Within One Year	Balance June 30, 2023
Bonds Payable	$ 235,405,000	$ -	$ (62,005,000)	$ (44,505,000)	$ 128,895,000
Bond Premium Payable	9,327,018	-	(2,955,991)	(3,147,876)	3,223,151
Bond Discount	(1,423,919)	-	296,069	274,296	(853,554)
Arbitrage Payable	-	124,722	-	-	124,722
Leases Payable	497,868	174,214	(262,154)	(131,891)	278,037
Total Long-Term Liabilities	$ 243,805,967	$ 298,936	$ (64,927,076)	$ (47,510,471)	$ 131,667,356

Long-term liabilities for the year ended June 30, 2022:

	*Balance July 1, 2021	Increases	Decreases	Due Within One Year	Balance June 30, 2022
Bonds Payable	$ 231,001,550	$ 208,000,000	$ (203,596,550)	$ (28,395,000)	$ 207,010,000
Bond Premium Payable	54,794	11,159,440	(1,887,216)	(3,141,300)	6,185,718
Bond Discount	-	(1,562,156)	138,237	236,976	(1,186,943)
Leases Payable	288,614	278,387	(69,133)	(78,886)	418,982
Total Long-Term Liabilities	$ 231,344,958	$ 217,875,671	$ (205,414,662)	$ (31,378,210)	$ 212,427,757

*Beginning balance includes current portion of long-term liabilities.

Student Loan Revenue bonds activity and balances by bond issue for the year ended June 30, 2023:

Bond Issue	Interest Rate Range	Maturity Range	Bonds Outstanding June 30, 2022	Issued/ (Retired) FY 2023	Bonds Outstanding June 30, 2023
2001 Series A-1	3.75%	9/1/2031	5,075,000	(4,975,000)	100,000
2002 Series A-2	3.80%	11/1/2032	4,750,000	(4,650,000)	100,000
2003 Series A-2	3.80%	9/1/2033	8,120,000	(8,020,000)	100,000
2004 Series A-1	3.88%	4/1/2034	9,460,000	(9,360,000)	100,000
Series 2021 1A	2.05% -5.00%	9/1/23-9/1/51	162,000,000	(6,000,000)	156,000,000
Series 2021 1B	.933%-2.106%	9/1/23-9/1/51	46,000,000	(29,000,000)	17,000,000
			235,405,000	(62,005,000)	173,400,000
2021 1A (Tax-Exempt) Serial Bonds Premium			9,327,018	(2,955,991)	6,371,027
2021 1A (Tax-Exempt) Term BondDiscount			(1,423,918)	296,068	(1,127,850)
			$ 243,308,100	$ (64,664,922)	$ 178,643,177

As of June 30, 2023, all bonds outstanding have fixed interest rates.

Student Loan Revenue bonds activity and balances by bond issue for the year ended June 30, 2022:

Bond Issue	Interest Rate Range	Maturity Range	Bonds Outstanding June 30, 2021	Issued/ (Retired) FY 2022	Bonds Outstanding June 30, 2022
2001 Series A-1	3.75%	9/1/2031	6,250,000	(1,175,000)	5,075,000
2002 Series A-2	3.80%	11/1/2032	5,850,000	(1,100,000)	4,750,000
2003 Series A-2	3.80%	9/1/2033	10,000,000	(1,880,000)	8,120,000
2004 Series A-1	3.88%	4/1/2034	11,650,000	(2,190,000)	9,460,000
2007 Series A	Variable	4/1/2037	64,400,000	(64,400,000)	-
Series 2010-1	Variable	12/1/18-12/1/38	47,060,000	(47,060,000)	-
Series 2010-2	Variable	12/1/20-12/1/38	40,175,000	(40,175,000)	-
Series 2013-1	Variable	1/2/2025	27,743,550	(27,743,550)	-
Series 2016	Variable	6/30/2024	6,579,000	(6,579,000)	-
Series 2018	Variable	12/13/2021	11,294,000	(11,294,000)	-
Series 2021 1A	2.05% -5.00%	9/1/23-9/1/51	-	162,000,000	162,000,000
Series 2021 1B	.933%-2.106%	9/1/23-9/1/51	-	46,000,000	46,000,000
			231,001,550	4,403,450	235,405,000
2021 1A (Tax-Exempt) Serial Bonds Premium			54,794	9,272,224	9,327,018
2021 1A (Tax-Exempt) Term BondDiscount				(1,423,918)	(1,423,918)
			$ 231,056,344	$ 12,251,756	$ 243,308,100

As of June 30, 2022, all bonds outstanding have fixed interest rates.

Interest is payable on a semi-annual basis and principal is payable annually or at specified times during the bond maturity period. All bonds are secured as described in the applicable bond resolutions. Related purchased and financed student loans and investments secure the bonds.

Principal maturity and interest requirements on bonds payable are as follows:

	June 30,2023	
Year	Bond Principal	Bond Interest
2024	44,505,000	5,215,839
2025	16,500,000	4,248.603
2026	16,500,000	3,532,113
2027-2031	48,000,000	8,805,798
2032-2036	400,000	5,378,980
2037-2052	42,860,000	10,485,650
2052	4,635,000	47,509
	$ 173,400,000	37,714,492

Bond interest for the variable bond issues that were calculated using the Securities Industry and Financial Market Association (SIFMA), and the London Inter-Bank Offer Rate (LIBOR) rates were refunded in December of 2021.

In accordance with the provisions of the Internal Revenue Code (IRC) and related regulations, retainable earnings from non-purpose investments related to the Foundation's tax-exempt bond issues, generally, are limited to the bond yield of the related bond issue. The bond indentures require NMEAF to make annual arbitrage calculations to determine if investments of excess bond proceeds are earning rates of interest in excess of the bond yield. Such amounts, if any, are required to be set aside in arbitrage rebate accounts for each bond issue. The balance in the arbitrage rebate accounts may increase or decrease annually (but not below zero) based on interest rates earned on the investments provided by the bond financing. At the end of each five-year period over the life of the bonds, NMEAF is required to remit any positive arbitrage rebate liability amount to the federal government. Based on the most recent calculation as of May 1, 2023 a arbitrage rebate liability was due for the 2021 bond issue in the amount of $124,722. There was no arbitrage due for the year ending June 30, 2022.

Similarly, student loan income on all tax-exempt bond issues that may be retained by NMEAF in order to fund operations is limited to the bond yield plus an allowable spread, ranging from 1.50% to 2.00%. The excess earnings liability is computed on an annual basis. The excess earnings reserve can be used over time to forgive principal and/or interest on financed student loans or on other programs that would effectively reduce the Foundation's yield. Amounts not used in this manner are required to be paid to the federal government at the end of each ten-year period and at final maturity of the related bond issues. Based on the most recent calculations as of May 1, 2023 and 2022, there are no excess earnings liabilities.

In December 2021, the Foundation issued $208 million of tax-exempt and taxable bonds, with $162 million tax-exempt and $46 million taxable. $199 million of the proceeds was used to refund the 2007 A (Taxable and Tax-Exempt), 2010-1, 2010-2, 2013, 2016, and 2018 bond issues, and the Bank of America line of credit. Remaining amounts were used to purchase rehabilitated loans held by the Foundation.

Refunded Issue		**Refund Amount**
2007 Series A	$	64,400,000
Series 2010-2		42,070,000
Series 2010-2		38,300,000
Series 2013-1		19,319,550
Series 2016		6,579,000
Series 2018		10,871,000
Line of Credit		17,550,000
Total	$	199,089,550

NMEAF maintained a line of credit with a financial institution to purchase rehabilitation loans and this line of credit was paid in full as a part of the 2021 debt restructure. The borrowing limit on the line of credit was $20 million. The line of credit had an outstanding balance of $9,700,000 as of June 30, 2021.

NMEAF was granted a Paycheck Protection Program loan from Bank of the West in March 2021 for $799,525 in order to maintain staff during the government imposed pause to collection activities. The loan was issued pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan was set to mature on Feb 25, 2026 with interest of 1% per annum. Principal/interest monthly payments were to commence July 10, 2022. The funds from the loan were only used for payroll costs, costs used to continue group healthcare benefits, rent, utilities, and other covered expenditures through September 9, 2021. Under the terms of the Act, the loan had an outstanding balance of $799,525 as of June 30, 2021 and was forgiven, including $10 thousand in accrued interest, on June 24, 2022.

(8) Contractual Arrangements

NMEAF has certain contractual arrangements as follows:

(a) The New Mexico Student Loan Guarantee Corporation

The Corporation's primary purpose is to guarantee, on behalf of the ED, the repayment of eligible student loans made by participating lenders to residents of New Mexico and students who attend New Mexico educational and vocational institutions under the FFELP. Under terms of a service agreement, NMEAF provides office space, administers and performs certain duties and functions for the Corporation, subject to the direction of the Corporation's officers and board of directors. These duties and functions were provided by the Foundation for a board-approved fixed fee of $1,332,360 and $1,309,908 based upon estimated costs for the Corporation's years ended September 30, 2023 and 2022, respectively.

(a) Collection Fees

NMEAF under the entity name of 180 Resolutions has entered into an agreement to provide collections services for the NMSLGC’s loan portfolio. The collection fee is based on the default placement with the last collection agency.

(9) Defined Contribution Plan

The Foundation maintains a Defined Contribution Retirement Plan (the Plan). Participation in the Plan is available to employees regularly scheduled to work 1,000 hours or more in a computation period. Eligibility begins on the first day of the month following the completion of 30 days of employment. Each eligible participant is required to contribute 3.5% of his or her pay to the Plan. The Foundation contributes 7% of the participant's compensation to the Plan. Vesting in the Foundation contributions occurs on a step schedule as follows: 1 year 0%, 2 years 25%, 3 years 50%, 4 years 75%, and 5 years 100%. A participant receives a year of service for vesting purposes if he/she completes 1,000 hours in an anniversary year and he/she is employed on the last day of the anniversary year. If the participant terminates before the date of full vesting, the non-vested amount of the participant's account is forfeited and used by the Foundation to reduce its Plan contributions for the next year. The Foundation may terminate this Plan at any time, and all participant accounts would become 100% vested. The Foundation does not intend to terminate the Plan at this time. For the years ended June 30, 2023 and 2022, the Foundation's contribution was $292,811 and $267,594, respectively.

(10) Related Parties

The Foundation's board of directors is made up of five members. The Foundation no longer requires regents of post-secondary schools to be represented on the Board, but does require two Board members to represent educational institutions, because NMEAF no longer originates or disburses student loans. In addition, the State Treasurer and two members representing financial institutions are required members of the Board.

The Foundation has bank deposits with certain financial institutions; officers of one or more of these financial institutions are members of the Foundation's board. The Foundation also processes and services student loans for some of the state higher education institutions, private colleges and community colleges. If discussion and action by the Foundation board of directors specifically involves an entity to which an individual board member has any ties, that board member must abstain from voting on that decision.

The Foundation has entered into a shared services agreement with CRI to provide operational support. Operational support provided may be charged to CRI at the cost of the service provided by the Foundation. There were charges for operational support in fiscal years 2023 and 2022 of $102 thousand and $168 thousand respectively.

The Foundation also entered into an Operational Services Agreement with CRI to perform collections and skip tracing duties in May of 2022 for 85% of the standard collection amount charges by CRI to it's clients. In February 2023, a new Operational Services Agreement was enacted with CRI which provided that CRI would reimburse the Foundation for five full-time collectors along with benefits monthly for collections performed on their portfolio. There were charges for collections performed in fiscal years 2023 and 2022 of $102 thousand and $94 thousand respectively. The amounts due to NMEAF for services provided to CRI for staffing and collections was $139 thousand on June 30, 2023 and 57 thousand on June 30, 2022.

(11) Commitments and Contingencies

(a) Litigation Matters

NMEAF is involved in various legal actions incident to its operations that, in the opinion of management and the Foundation's legal counsel, will not materially affect the Foundation's financial position or results of its operations.

(b) Department of Education Reviews

The ED periodically performs site visits of the Foundation. The purpose of site visits is to review the Foundation's compliance with the Higher Education Act of 1965, as amended, and the regulations under the FFELP with respect to the Foundation's originating, servicing and collecting of student loans under this program.

The ED conducted a remote visit in December 2021 for a review covering the period of October 1, 2019 through September 30, 2021. The final program review report was issued on March 15, 2023 with no issues outstanding and the audit was closed.

The ED conducted a site visit in December 2019 for a review covering the period of October 1, 2017 through September 30, 2019. On March 30, 2021, the ED issued a program review report. The final program review report was issued on August 16, 2022 with no issues outstanding and the audit was closed.

(c) Risk Management

NMEAF is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Foundation carries commercial insurance to cover losses related to such risks to which it may be exposed.

(d) Lease Commitments

During the year ended June 30, 2023 and 2022 the Foundation leased a backup and recovery site for its data processing facilities. The operating lease was entered into on May 20, 2003 as an occupancy and services agreement for provision of disaster recovery functions. The monthly minimum recurring charge associated with this agreement is $4,146, with an initial term of 36 months. A new agreement was made with the service provider and the agreement is effective September 1, 2021 through March 2, 2022 and will auto-renew thereafter. The monthly minimum recurring charge associated with this agreement is $2,771. The Foundation assumed a 11 year continuation for this lease starting with the beginning of fiscal year 2021.

The Foundation leases its Copier/Printing Equipment from Xerox. This operating lease was entered into on June 10, 2017 for a 12-month term. This term automatically renews unless the lessee or lessor notifies the other party within thirty days that it does not wish to renew. The current minimum quarterly amount is $1,752. When the initial lease was projected last year with the implementation of GASB Statement 87, a new agreement was expected to made with the service provider and would have been effective from October 1, 2022 through September 30, 2026, but an agreement was not reached. The Foundation assumed the lease would expire at the end of the new lease term when preparing financial adjustments. It was determined after the agreement was not reached and last year's financial statements were prepared, that the term of the lease would end on June 30, 2024 rather than September 30, 2026. This adjustment resulted in a net reduction of $17,350 in Right of Use Business Equipment.

Due to implementation of GASB 87, the aforementioned leases were capitalized in fiscal year 2022 and the assets and libabilities for these leases were recognized and the fiscal year 2021 financial statements were restated to account for these changes.

The total minimum lease expense commitment under the above leases are due as follows, as of June 30, 2023:

June 30,2023		
Year	**Lease Principal**	**Lease Interest**
2024	$ 29,517	$ 10,741
2025	23,992	9,257
2026	25,219	8,029
2027	26,509	6,739
2028	27,866	5,383
2029+	92,446	7,299
	$ 225,549	$ 47,448

The Foundation also leases a portion of it's building to the Make-A-Wish Foundation. The rental lease was entered into on April 28, 2018 as an occupancy agreement for the Make-A-Wish business operations. The monthly minimum recurring charge associated with this agreement is $2,500, with an initial term of 12 months. A new agreement was made with the service provider and the agreement is effective October 4, 2021 through February 3, 2025 and will not auto-renew but would require a new lease. The minimum monthly charge with the new lease increased on February 3, 2022 from $2,500 to $2,575 for the remaining thirty-six month term. The Foundation has estimated that this lease will be in existence through the lease expiration.

During fiscal year 2023, the Foundation entered into agreement with the New Mexico Higher Education Department to rent office space for employees. The original lease was for $1,400 per month and was from November 2022 to June 2023 and was extended through to June 2024. The Foundation has estimated that this lease will be in existence through the lease expiration.

The total minimum lease inflows projected under the above lease is as follows, as of June 30, 2023:

June 30,2023		
Year	**Lease Principal**	**Lease Interest**
2024	43,918	2,382
2025	20,209	391
	$ 64,127	$ 2,773

(e) Subscription Liabilities

During the year ended June 30, 2023, the Foundation implemented Governmental Accounting Standards Board (GASB) Statement 96, Subscription-Based Information Technology Arrangements (SBITAs). As a part of the implementation, the Foundation capitalized nineteen SBITA agreements with a total gross asset balance of $398,515. With the exceptions of DYN DYN.COM, PayChex, and PayNow, all subscriptions were setup with an anticipated life of three years which is the standard asset life the Foundation uses for software purchases. The subscription for DYN DYN.C was given a life of 1.75 years and PayChex, the Foundation's payroll processing provider, and PayNow, the Foundation's borrower payment gateway, were given lives of five years. The Foundation estimated the subscription liabilities as the present value of the subscription payments expected to be paid during the subscription terms.

The total SBITA expense commitments under the above SBITAs due as follows, as of June 30, 2023:

	June 30,2023	
Year	SBITA Principal	SBITA Interest
2024	$ 102,374	$ 11,037
2025	32,754	3,808
2026	32,588	1,346
2027	-	-
2028+	-	-
	$ 167,716	$ 16,191

(f) Special Allowance Revenue

During the year ended June 30, 2023 and 2022, Independent Auditors completed agreed-upon procedures engagements of the 9.5% floor according to Department of Education's specifications. The June 30, 2023 and 2022 reports were completed without findings**.**

(g) Mandatory Redemptions

In addition to scheduled maturities, mandatory redemptions are required in the 2001 series A-1, 2002 series A-2, 2003 series A-2, 2004 series A-1, 2021 series 1 A Term and the 2021 series 1B Term bonds beginning with the new bond issue in December 2021. These redemptions are determined bi-annually on September 1 and March 1 according to the availability of cash not already earmarked for expenses and debt service. Budgeted mandatory redemptions are included as short-term bonds payable in the amount of $28,505,000 and $28,395,000 as of June 30, 2023 and 2022, respectively.

(12) Restatement of June 30, 2022 Financial Statements

Changes made to the June 30, 2022 financial statements as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement 96, Subscription-Based Information Technology Arrangements (SBITAs) are detailed below. The capitalization of the nineteen technology agreements where the Foundation possesses the right to utilize vendor-provided information technology resulted in a net increase in assets of $268,555 and additional liabilities of $237,208. The net effect of the GASB restatement to the June 31, 2021 financial statements net position was an increase of $31,347**.**

	As of June 30 2023		
Schedule Summary of Changes	**As Previously Reported**	**Change Due to Statement 96**	**As Restated**
Assets:			
Current Assets	$ 163,065,071	$ -	$ 163,065,071
Long Term Assets	181,782,224	1,436	181,783,660
Capital Assets	4,281,586	267,119	4,548,705
Total Change in Assets	$ 349,128,881	$ 268,555	$ 349,397,436

Liabilities:			
Current Liabilities	$ 35,617,890	$ 52,831	$ 35,670,721
Long-Term Liabilities	212,243,380	184,377	212,427,757
Deferred Inflow of Resources	590,523	-	590,523
Total Change in Liabiities	248,451,793	237,208	248,689,001
Net Position	100,677,088	31,347	100,708,435
Total Change in Liabilities and Net Position	$ 349,128,881	$ 268,555	$ 349,397,436

Change in Net Position:			
Revenues	12,988,901	-	12,988,901
Expenses	14,913,136	(31,347)	14,881,789
Non-Operating Recoveries (Expenses)	(610,390)	-	(610,390)
Total Change in Net Position	$ (2,534,625)	$ 31,347	$ (2,503,278)

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Agency	Federal CFDA Number		Expenditures
U.S. Department of Education direct:			
Federal Family Education Loan Program - Lender	84.032-L		
Interest Subsidies		$	441,554
Special Allowance			3,052,664
Total Department of Education Direct Program		$	3,494,218
Total expenditures of federal awards		$	3,494,218

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

NOTE 1. ORGANIZATION

The New Mexico Educational Assistance Foundation (NMEAF) dba New Mexico Student Loans was organized under the laws of the State of New Mexico on July 1, 1981, as a quasi-governmental, not-for-profit organization for the purpose of improving the educational opportunities of the residents of New Mexico and students who attend New Mexico post-secondary educational institutions. NMEAF's primary purpose is to provide a program for making, financing, holding and purchasing federally insured educational loans. NMEAF also services loans and provides administrative support and other services for in-state educational and lending institutions; federal financial aid programs; and the New Mexico Student Loan Guarantee Corporation (NMSLGC), a not-for-profit entity designated to operate as a guarantee agency under the Federal Family Education Loan Program (FFELP).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all federal assistance to NMEAF that had activity during fiscal year 2023. This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when NMEAF has met the qualifications of the respective program. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of NMEAF under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the Schedule presents only a selected portion of the operations of NMEAF, it is not intended to and does not present the financial positions, changes in financial position or cash flows of NMEAF.

b. Federal Financial Assistance

NMEAF receives interest subsidies on behalf of eligible students during qualified periods and special allowance on all qualifying loans. To receive payments of interest subsidies and special allowance, NMEAF must submit quarterly reports to the U.S. Department of Education.

NOTE 3. STUDENT LOAN NOTES

The U.S. Government pays NMEAF interest on eligible Stafford loans from the date of acquisition until the end of the grace period. In addition, for certain eligible loans, a special allowance is paid at the end of each quarter, which represents supplemental interest on outstanding insured loans. The special allowance is calculated using an annual rate, which is determined periodically and is based on the average interest rate for 91-day U.S. Treasury Bills, or the average 3-month commercial paper rate. Effective April 1, 2012, the Foundation elected to waive the 3-month commercial paper rate in favor of the 1-month LIBOR rate. At the beginning of fiscal year 2024, LIBOR is no longer an available rate for FFELP servicers and all servicers are being transitioned to the 30-day Secured Overnight Financing Rate (SOFR) with a .11448 percent spread.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Student loan notes originated or purchased by NMEAF have been guaranteed by the NMSLGC and reinsured by the U.S. government, provided applicable program requirements have been met by the original lender or NMEAF with respect to such loans. Guaranteed Student Loans Receivable, under Federal Family Education Loan Program is $192,572,752 at June 30, 2023. NMEAF did not originate any loans under Federal Family Education Loan Program during the fiscal year Ended June 30, 2023. The Foundation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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INDEPENDENT AUDITOR'S 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*

The Board of Directors
New Mexico Educational Assistance Foundation
Albuquerque, New Mexico

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 financial statements of New Mexico Educational Assistance Foundation (the "Foundation"), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon October 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 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 Foundation's 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 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*.

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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.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
October 11, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors
New Mexico Educational Assistance Foundation
Albuquerque, New Mexico

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited the New Mexico Educational Assistance Foundation's (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2023. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the New Mexico Educational Assistance Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Foundation's response to the noncompliance finding identified in the accompany schedule of findings and questioned cost. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Foundation as of and for the year ended June 30, 2023, and have issued our report thereon dated October 11, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
October 11, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	*Unmodified*
Internal control over financial reporting:	
Material Weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for the Major Federal Program*
84.032-L	Federal Family Education Loan Program – Lenders	Unmodified

Dollar threshold used to distinguish Between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

No matters reported

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2023-001 Claims Filed Untimely (Other Non-Compliance)

Funding Agency: Department of Education – Federal Family Education Loan Program - Lenders

CFDA #: 84.032-L

Condition: From the sample of 15 claims paid, we noted two exceptions for timely filing by the lender. Both sample items were non-default claims, which are generally required to be filed within 60-90 days from notification, per regulations. A school closure claim was verified on 10/11/22 and filed on 4/05/23, which is 176 days from verification to claim filing. Second, a death claim was verified on 12/22/22 and filed on 5/12/23, which is 141 days from verification to claim filing.

Upon further investigation and inquiry, it was noted that during the audit period, there were 19 timely filing violations, and 15 supplemental claims not filed within 90 days. Currently NMSL has $200,773 in uninsured loans resulting from such violations. Two borrowers' loans were written off entirely, with a total amount $48,661.

Cause: The claims team experienced staff turnover prior to and during the effected period.

Criteria: *Closed School and False Certification Claims* - If a lender does not file a closed school or false certification discharge claim within the required 60-day filing period, the guarantor will purchase the claim. However, the claim will be subject to an interest penalty, and the lender will be required to repay all interest benefits and special allowance payments for amounts received or otherwise payable after the 60-day filing period.[§682.402(g)(2)(iii) and (iv]

Death Claims - If the lender does not file a death claim within the required 60-day filing period, the guarantor will purchase the claim—provided that the lender did not incur violations that resulted in a noncurable cancellation of the loan's guarantee before the date it determined that the borrower or student for whom the loan was obtained died. However, the claim is subject to an interest penalty and the lender must repay all interest benefits and special allowance payments for amounts received or otherwise payable after the 60-day claim filing period. If the lender incurs a timely claim filing or due diligence violation that results in the cancellation of the loan's guarantee and the violations are not cured before the date it determined that the borrower or student died, the guarantee on the loan cannot be reinstated. The lender also must not attempt to collect the loan.[§682.402(g)(2)(i)]

Default Claims - Submission of a default claim between the 330th and 360th day of delinquency will result in loss of eligibility for special allowance beyond the 330th day of delinquency. Failure to submit a default claim by the 360th day of delinquency will result in cancellation of the guarantee on the loan. However, the lender may cure the violation and resubmit the claim if the default remains unresolved after the loan has been cured. [§682.406; §682, Appendix D, I.E.]

Effect: Effected accounts become uninsured from the point of the violation. Timely claim filing is important in facilitating the collection of defaulted FFELP loans and the orderly disposition of other claims. Accurate and timely records on a borrower's repayment history can impact a borrower's eligibility for future federal student aid, licenses, income tax refunds, and other significant benefits. Therefore, in order to protect borrowers as well as the federal fiscal interest and overall program integrity, lenders can be assessed penalties up to and including loss of the guarantee on a loan for failing to submit claim records on time.

Management identified the following write-off amounts related to supplemental claims and timely filing violation write off:

- Supplemental claims not filed within 90 days - write-off amount $3,910.
- Claims that were not filed timely – write-off is $17,958.

Recommendation: Management should continue to monitor to ensure that loans in claims status are being properly tracked by type of claim type once verified, as to their due dates.

Management's Response: We acknowledge that these impacted accounts exceeded the allowable window for processing and in some cases resulted in penalties and accounts becoming uninsured. In the fourth quarter of 2022, we identified an issue with the timing of claim processing. This issue impacted numerous claims. To address the issue, we replaced the previous claims structure, reassigning claims processing to the Operations Department in approximately March 2023. Updated procedures have been created and additional staff has been trained to support the process. The movement of claims processing to the operations department removes the single point of failure condition that led to this breakdown. The new team has been diligently working through the impacted accounts and has remedied most of the late filings. Currently, new claims are being processed within the required timelines. There are still some remaining accounts that are in the correction process, but every impacted account has been identified.

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

None.

New Mexico Educational Assistance Foundation

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

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