NEW MEXICO STUDENT LOANS
We invest in you.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Financial Statements

JUNE 30 | 2021

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

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PATTILLO, BROWN & HILL, L.L.P.
5310 Homestead Road N.E. Suite 100 B
Albuquerque, New Mexico 87110
505.266.5904 | pbhcpa.com

Independent Auditors' Report

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

Report on the Financial Statements

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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 information is fairly stated, in all material respects, in relation to the 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 12, 2021 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 the Foundation's 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 12, 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 Plan

As of June 30, 2021, the Foundation had 53,641 loans outstanding to 16,081 current and former students at a total principal value, net of an allowance of doubtful accounts, of approximately $305.3 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 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.

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.

II. Condensed Financial Information

Condensed financial information is presented below (in thousands).

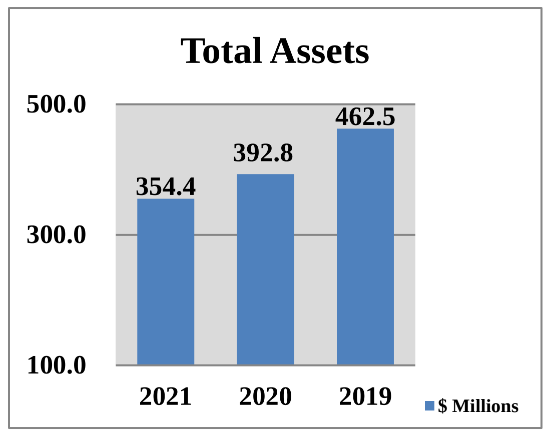
	At June 30		
	2021	**2020**	**2019**
Capital Assets	$ 4,331	$ 4,682	$ 4,696
Student Loan Receivables & Other Assets	350,066	388,123	457,851
Total Assets	$ 354,397	$ 392,805	$ 462,547
Long-Term Liabilities	$ 226,812	$ 260,548	$ 315,081
Other Liabilities	23,762	27,194	42,401
Total Liabilities	250,574	287,742	357,482
Deferred Inflows of Resources	624	677	622
Total Liabilities and Deferred Inflows of Resources	251,198	288,419	358,104
Net Position:			
Invested in Capital Assets	4,331	4,682	4,696
Unrestricted	23,793	23,498	23,255
Restricted	75,075	76,206	76,492
Total Net Position	103,199	104,386	104,443
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 354,397	$ 392,805	$ 462,547

	Year Ended June 30		
	2021	**2020**	**2019**
Revenues:			
Borrower Interest Income & Fees	$ 15,702	$ 17,994	$ 20,399
Federal Subsidies	(5,767)	(2,541)	369
Investment Revenue	35	585	962
Loan Servicing & Other Revenue	3,504	3,962	3,052
Total Revenues	13,474	20,000	24,782
Expenses:			
Direct Costs (Recovery) – Federal Family Education Loan Program	7,975	12,795	15,959
Overhead Costs – Federal Family Education Loan Program	5,371	5,444	5,884
Loan Servicing	1,386	1,426	3,276
Total Expenses	14,732	19,665	25,119
Income (Loss) on Equity Method Investment	71	(392)	(73)
Change in Net Position	(1,187)	(57)	(410)
Net Position, Beginning of the Year	104,386	104,443	104,853
Net Position, End of the Year	$ 103,199	$ 104,386	$ 104,443

III. Analysis of Overall Financial Position and Results of Operations

Analysis of Financial Position:

The Foundation's Total Assets at June 30, 2021 were at approximately $354.4 million, a decrease of approximately $38.4 million from the balance at June 30, 2020. Total assets at June 30, 2020 were just over $392.8 million, a decrease of approximately $69.7 million over the balance at June 30, 2019. Significant (approximate) changes in total assets components included:

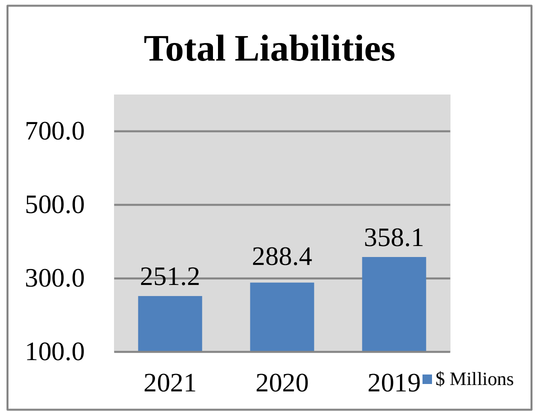


- As of June 30, 2021, there was a reduction of $23.7 million in student loans receivable representing a 7.2% decrease. As of June 30, 2020, there was a reduction of $42.3 million in student loans receivable representing an 11% decrease. The decreases in both years was largely due to borrower payments and Direct Loan Consolidations with the United States Department of Education.
- Borrower interest receivable and interest subsidy receivable increased $0.4 million as of June 30, 2021 from the amount outstanding June 30, 2020. In 2020, Borrower interest receivable and interest subsidy receivable increased $1 million as of June 30, 2020 from the amount outstanding June 30, 2019. The increases in both years was caused by the pause in student loan collections due to the pandemic and loans in IBR repayment plans that do not require payments that cover outstanding interest.
- During January of 2019, the Foundation invested $1 million in Collections Resources, Inc. (CRI), a collection agency within the state of New Mexico. CRI recognized income of $71 thousand during 2021 which increases the investment held by the Foundation by the same amount. CRI realized operating losses of over $0.3 million during 2020 which reduced the equity investment at the end of the year.
- Other investments decreased by $11.8 million as of June 30, 2021 and $22.3 million as of June 30, 2020 from the amount outstanding the prior year. These decreases primarily resulted from lower investment balances due to mandatory and voluntary bond redemptions that occurred during the fiscal years.
- Cash and cash equivalents decreased $1.3 million over the prior year as of June 30, 2021. Unrestricted cash decreased by $0.7 million due to funds used to purchase rehabilitated loans from the New Mexico Student Loan Guarantee Corporation. Restricted cash decreased $0.6 million due to lower payment collection levels. As of June 30, 2020, cash and cash equivalents decreased $6 million over the prior year. Unrestricted cash decreased by $5.3 million due to funds used to purchase rehabilitated loans from the New Mexico Student Loan Guarantee Corporation. Restricted cash decreased $0.7 million due to transfers to investment near year-end
- As of June 30, 2021, student loan late and legal fees, net decreased $0.4 million during the year due to a smaller outstanding portfolio along with removal of late fees assessed on

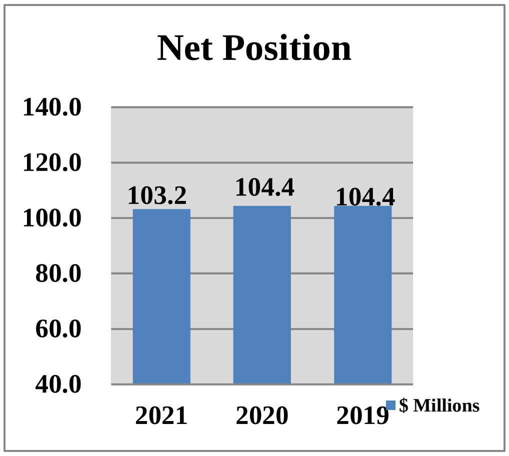
delinquent accounts during the pandemic. Other assets decreased by $1.2 million due to collections of amounts due during the year, the retirement of the derivative associated with the 2009 bond, and lower prepaid balances. In 2020, student loan late and legal fees, net and other receivable amounts increased by $0.3 million due to an increase in service fee receivables for new activity, an amount due from CRI, and an offsetting decrease in late and legal fees receivable.

- Net Property, Plant, and Equipment declined by $0.4 million for the year ending June 30, 2021. Purchases of capital assets exceeded deletions and depreciation by a small amount for the year ended June 30, 2020.

Total liabilities decreased by approximately $37.2 million to $251.2 million as of June 30, 2021 as compared to a decrease of approximately $69.7 million to $288.4 million as of June 30, 2020. Significant decreases and increases in liabilities were driven by the following primary changes (in approximate amounts):



- Current and long-term bonds payable decreased $43.2 million as of June 30, 2021 from the amount outstanding June 30, 2020. As of June 30, 2020, current and long-term bonds payable decreased by $77.4 million. The decreases in both years was due to debt retirements during the fiscal years.
- Notes payable increased by $6.4 million as of June 30, 2021 due to use of the Bank of America Line of Credit to fund the purchases of the New Mexico Student Loan Guarantee Corporation rehabilitated loans in the amount of $5.6 million and a Paycheck Protection Program loan of nearly $0.8 million granted during the year. It is anticipated that this loan will be forgiven in fiscal year 2022. As of June 30, 2020, notes payable increased by $7.2 million compared to June 30, 2019 due to rehabilitated loan purchases.
- The year-end interest accrual had a decrease of $0.1 million in fiscal year 2021 and a decrease of $0.9 million in 2020 over the prior years. The decreases in both years were due to a reduction in the underlying debt.
- In 2021 and 2020, the rates were low enough to prevent earnings that would produce yields above the restricted amount for all bond issues.
- There was a $$0.3 million decrease in accounts payable and accrued liabilities as of June 30, 2021 due to primarily due to decreases in accounts and filing fees payable during the year. As of June 30, 2020, there was not a significant change in accounts payable and accrued liabilities.
- As of June 30, 2021, special allowance payable remained consistent as the liability continued to be calculated using low rates of interest. As of June 30, 2020, special allowance payable increased $1.4 million due to decreases in the underlying market rates

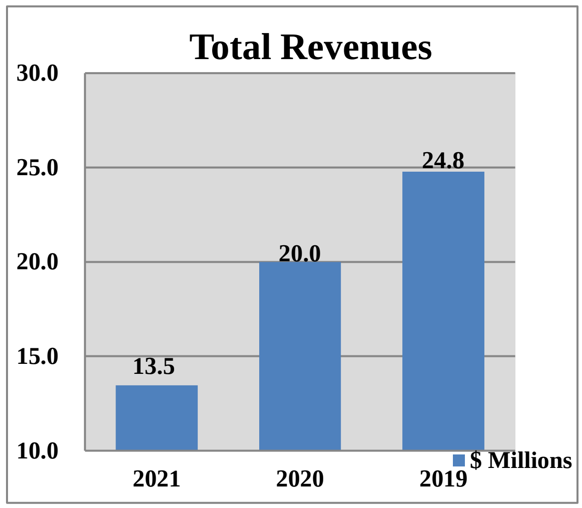


used in the special allowance calculations toward the latter part of the year and higher borrower interest rates on variable loans set at the beginning of the year.

Net position decreased by less than 0.1% to $103.2 million and net position comprised approximately 29% of total assets at June 30, 2021. Net position decreased by 0.1% to $104.4 million and net position comprised approximately 27% of total assets at June 30, 2020.

Analysis of Results of Operations:

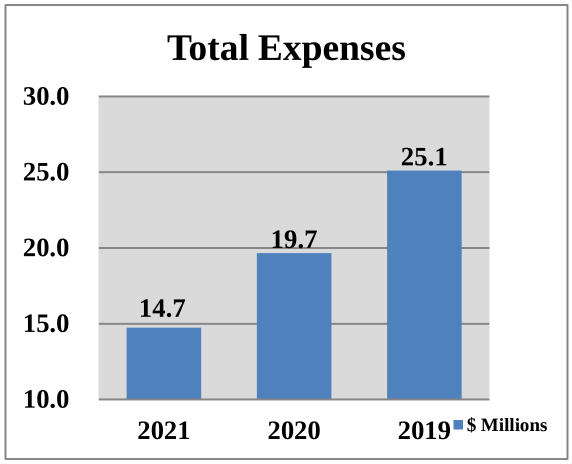
In 2021, total revenues were $13.5 million, a decrease of $6.5 million from June 30, 2020. Total revenues for the Year Ended June 30, 2020 were approximately $20 million, a decrease of $4.8 million from the prior year. The fluctuations are primarily attributable to (in approximate amounts):



- In 2021 and 2020, decreased student loan receivable balances and lower rates that were used to calculate special allowance produced net decreases in student loan interest, interest subsidy and special allowance.
- In 2021, there was a $0.5 million decrease in the fair market value of the derivative instruments caused by lower notional amounts and reductions in the remaining term of the 2010-1 derivative instrument and retirement of the 2009 debt during the year. In 2020, there was a slight increase in the fair market value of the derivative instruments due to lower notional amounts and reductions in the remaining terms of the derivative instruments being partially offset by lower interest rates.
- In 2021, collections fees fell by $0.7 million compared to the amount in 2020 due to federal government restrictions on collections on defaulted accounts as a result of the pandemic. In 2020, the Foundation earned an additional $0.3 million in revenue from collections fees than in 2019.
- In 2020, the Foundation began servicing a new contract with the Deloitte Consulting LLP to assist constituents of New Mexico with filing for unemployment benefits. The foundation earned $1 million and $0.3 thousand servicing the needs of New Mexico residents under this contract in 2021 and 2020, respectively. In 2021 and 2020 loan servicing and other fees increased in total due to increases in the services provided.
- For the year ended June 30, 2021, Debt Fund revenue decreased $5.2 million over the previous year primarily due a decrease of $5.1 million in revenue from student loan

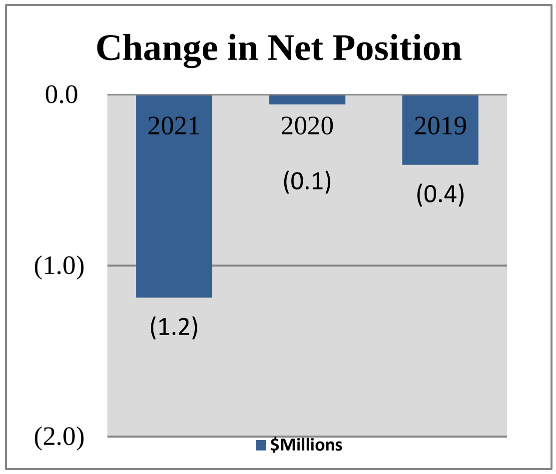
activity including borrower interest, interest subsidy and special allowance. General Fund revenue decreased $0.8 million primarily due to decreased collections fees. For the year ended June 30, 2020, investment revenue in the Debt Fund decreased by $0.5 million and interest and special allowance revenue for the Debt Fund decreased $5.5 million. General Fund revenue increased $1.2 million due to increased collections fees, new and enhanced service agreements and purchased rehabilitation loans.

Total expenses for the year ended June 30, 2021 were $14.7 million, which was a decrease of $4.9 million or more than 25% under the prior year expense. Total expenses for the year ended June 30, 2020 were $19.7 million, which was a decrease of $5.4 million or more than 21% under the prior year expense. The primary drivers behind the changes were:



- Due to lower bonds payable outstanding, interest expense decreased $4.5 million and $3.9 million in 2021 and 2020, respectively.
- During fiscal years 2021 and 2020 other expenses increased by $0.1 million and decreased by $1.5 million, respectively. The increase in 2021 was primarily due to fees paid by the Foundation in analyzing the benefits of restructuring its current debt agreements.
- In 2021, the Debt Fund expenses decreased by $4.9 million due to a maturing portfolio and lower balances of bonds outstanding. The General Fund operating expenses decreased by $17 thousand mainly due to lower salaries, fringe benefits, depreciation, and interest expense which were offset partially by increases in credit card expenses and professional fees paid for debt restructure analysis. In 2020, the Debt Fund expenses decreased by $5.3 million due to a maturing portfolio and lower balances of bonds outstanding. The General Fund operating expenses decreased by $0.8 million mainly due to lower salaries, fringe benefits, depreciation, and interest expense.

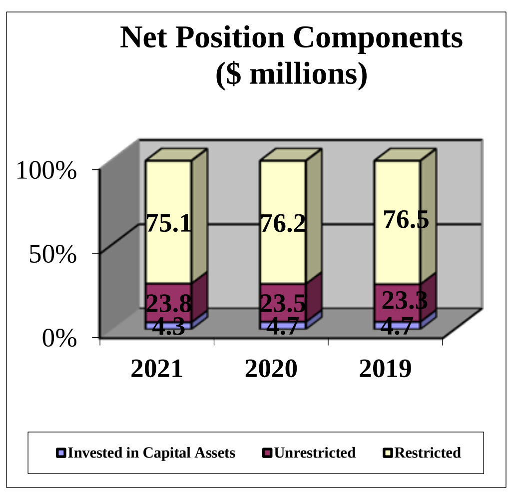
For the year ended June 30, 2021, the Change in Net Position (deficiency of revenue) was $1.2 million, a decrease of $1.1 million from the prior year. The Change in Net Position was primarily due to lower student loan revenues (including defaulted loan collections) and decreases of value recognized on derivative instruments that were partially offset by decreases in salaries and fringe benefits and reduced debt carrying costs. For the year ended June 30, 2020, the Change in Net Position (deficiency of revenue) was $57 thousand, an increase of $0.4 million from the prior year. The Change in Net Position was primarily due to lower outstanding debt, salaries and fringe expenses offset by a $0.3 million loss on equity investment.



- As of June 30, 2021, the Debt Fund decreased net position by $1.1 million while the General Fund decreased net position by $0.1 million. The Debt Fund's decrease to net position was primarily due to the reduction in borrower interest on the maturing student loan portfolio and a decrease of value recognized on derivative instruments. The General Fund's decrease was primarily due to reduced default revenue collections and debt restructuring fees. In comparison, for the year ended June 30, 2020, the Debt Fund decreased net position by $0.3 million while the General Fund increased net position by $0.3 million. The Debt Fund's decrease to net position was primarily due to the reduction in borrower interest on the maturing student loan portfolio. The General Fund's increase was primarily due to additional revenue sources and efficiencies in operating expenses.

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 45% of the General Fund's Total Revenues for the year ended June 30, 2021 while the dollar amount decreased 12%. In 2020, the allowance comprised 46% of the General Fund's Total Revenues for the year ended June 30, 2020 while the dollar amount decreased 14%. 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.

The amount of net position invested in capital assets at June 30, 2021 was $4.3 million, a decrease of $0.3 million from the prior year. The amount of net position invested in capital assets at June 30, 2020 was $4.7 million, increase of $13 thousand from the prior year. In 2021, the decrease was primarily due to lower purchases by the Foundation and continued depreciation on existing assets. In 2020, the increase was primarily due to gains in hardware and software during the year that more than offset the decline in value of the other depreciable assets held by the Foundation. For the Fiscal Year Ended June 30, 2021, the Restricted Net Position balance of $75.1



million, which must be reserved to collateralize outstanding bond debt – decreased by $1.1 million. The restricted net position balance of $76.5 million, which must be reserved to collateralize outstanding bond debt, decreased by $0.3 million in fiscal year 2020. Unrestricted net position, which is unencumbered, increased by $0.2 million to $23.7 million as of June 30, 2021 and increased by $0.2 million to $23.5 million as of June 30, 2020.

IV. Analysis of Significant Budgetary Variations

In June 2020 and June 2019, respectively, the Foundation's board of directors adopted the fiscal year 2020-2021 and 2019-2020 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 2021, actual total revenues of $13.5 million was above the budgeted $13.3 million by $.15 million or 1.0%. The increase in revenues was due to higher than projected student loan portfolios in the operating fund realizing $.5 million higher in student loan revenues than forecasted coupled with higher revenues earned from the State of New Mexico in assisting with unemployment applications due to the extension of the contract to later in the fiscal year. These gains were offset by a $.5 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 $14.7 million were favorable to the budget by $1.9 million or approximately 11.7% under budget primarily due to lower than projected interest and bad debt expenses for the year. The change in net position of a $781 thousand decrease was less than the budgeted decrease in net position of $3.3 million by $2.6 million.

In fiscal year 2020, actual total revenues of $20.0 million was below the budgeted $21.7 million by $1.7 million or 7.8%. Most of the decrease in revenues was due to student loan and investment portfolios realizing $2.5 million lower in interest revenues than forecasted, which was partially offset by collection agency activity revenues $0.2 million higher than projected, revenues earned from the State of New Mexico in assisting with unemployment applications, and other service fee revenue. Total expenses (combined operating and non-operating) of $19.7 million were favorable to the budget by $3.3 million or approximately 14.1% under budget primarily due to salary and fringe benefit savings. The change in net position of a $5 thousand decrease was less than the budgeted decrease in net position of $1.2 million by $1.2 million.

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

Capital Assets:

The approved capital budget for the year ended June 30, 2021 was $221 thousand. The total capital expenditures for the year were $195 thousand or $26 thousand under budget. The major categories of capital expenditures during the year were Information Technology (IT) Hardware and IT Software along with Building Improvements.

The approved capital budget for the year ended June 30, 2020 was $548 thousand. The total capital expenditures for the year were $490 thousand or $102 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:

There were no new debt issuances.

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, 2021 and 2020

		June 30, 2021		June 30, 2020
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	2,412,140	$	3,158,239
Cash and Cash Equivalents – Restricted		1,445,062		2,048,647
Funds Held In Custody for Others		120,780		123,758
Investments		19,115,534		30,953,420
Receivables:				
Current Portion of Student Loans Receivable, Net of Allowance of $506,683 and $399,721		32,240,004		57,854,200
Student Loan Interest Receivable, Net of Allowance of $155,863 and $170,093		18,908,800		18,444,792
Interest Subsidy Receivable		170,605		255,092
Student Loan Late and Legal Fees Receivable, Net of Allowance of $836,541 and $539,964		613,833		999,930
Other		635,087		1,291,777
Total Current Assets		75,661,845		115,129,855
Long-Term and Other Assets:				
Student Loans Receivable, Net, Less Current Portion		273,038,300		271,098,423
Equity Method Investment		606,460		535,529
Derivative Investment		462,658		978,436
Prepaid Interest		296,476		380,952
Total Long-Term and Other Assets		274,403,894		272,993,340
Capital Assets:				
Property, Plant & Equipment, Net		4,331,180		4,682,461
Total Assets	$	354,396,919	$	392,805,656
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$	941,420	$	1,233,187
Bonds Payable, Current Portion		4,244,794		13,740,834
Special Allowance Payable		1,598,553		1,573,132
Accrued Interest on Bonds & Notes Payable		827,504		946,956
Notes Payable		16,149,525		9,700,000
Total Current Liabilities		23,761,796		27,194,109
Long-Term Liabilities:				
Bonds Payable, Less Current Portion		226,811,550		260,547,793
Total Long-Term Liabilities		226,811,550		260,547,793
Deferred Inflow of Resources:				
Other Deferred Gain		624,033		676,976
Total Deferred Inflow of Resources		624,033		676,976
Total Liabilities and deferred inflows of resources		251,197,379		288,418,878
NET POSITION				
Invested in Capital Assets		4,331,180		4,682,460
Unrestricted		23,792,660		23,497,860
Restricted, Bond Indenture		75,075,700		76,206,458
Total Net Position		103,199,540		104,386,778
Total Liabilities, deferred inflows and Net Position	$	354,396,919	$	392,805,656

See accompanying notes to financial statements

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2021 and 2020

	June 30, 2021	June 30, 2020
OPERATING REVENUES:		
Student Loan Interest	$ 15,712,314	$ 17,779,267
Interest Subsidy and Special Allowance	(5,766,930)	(2,541,228)
Change in Fair Market Value of Derivative Instruments	(515,778)	45,171
Investment Revenue	35,222	583,054
Student Loan Late and Legal Fees, Net	(10,814)	214,368
Servicing and Administration Agreements:		
New Mexico Student Loan Guarantee Corporation	1,249,344	1,158,477
Servicing Fees	1,292,656	553,028
Other	1,477,884	2,208,322
Total Operating Revenues	13,473,898	20,000,459
OPERATING EXPENSES:		
Interest Expense on Bonds and Notes Payable	4,401,203	8,893,899
General and Administration:		
Salaries and Employee Benefits	5,356,020	5,538,248
Depreciation and Amortization	542,598	503,197
Provision for Student Loan Losses	134,002	349,849
U.S. Department of Education Fees	1,540,362	1,685,983
Other Student Loan Related Costs	-	72,177
Other	2,491,016	2,368,295
Trustee Fees, Amortization of Debt Issuance Costs, Commitment Fees and Other Trust Expenses	266,866	253,842
Total Operating Expenses	14,732,067	19,665,490
Operating (Loss) Income	(1,258,169)	334,969
NON-OPERATING RECOVERIES (EXPENSES):		
Contributions		
Gain (Loss) on Equity Method Investment	70,931	(392,063)
Change in Net Position	(1,187,238)	(57,094)
NET POSITION:		
Beginning	104,386,778	104,443,872
Ending	$ 103,199,540	$ 104,386,778

See accompanying notes to financial statements.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Cash Flows
Fiscal Years Ended June 30, 2021 and 2020

	June 30, 2021	June 30, 2020
Cash Flows From Operating Activities:		
Cash Received From or on Behalf of Borrowers	$ 40,132,410	$ 60,600,154
Cash Disbursed to or Paid on Behalf of Borrowers	(8,116,953)	(4,148,014)
Cash Received From Others	4,231,257	3,020,025
Cash Paid to Employees	(5,356,020)	(5,577,484)
Cash Paid to Suppliers	(1,782,783)	(2,339,032)
Cash Received From Investments	37,966	1,154,808
Cash Paid for Interest on Bonds/Notes	(5,196,318)	(10,360,070)
Net Cash Provided by Operating Activities	23,949,559	42,350,387
Cash Flows From Non-Capital Financing Activities:		
Proceeds on Bonds and Notes	6,449,525	7,200,000
Payments on Bonds and Notes	(43,131,450)	(77,167,000)
Trust Expenditures	(266,866)	(253,842)
Net Cash Used by Non-Capital Financing Activities	(36,948,791)	(70,220,842)
Cash Flows From Capital and Related Financing Activities:		
Purchase of Property & Equipment	(191,317)	(489,948)
Proceeds from Sale of Property & Equipment	-	5,000
Net Cash Used by Capital and Related Financing Activities	(191,317)	(484,948)
Cash Flows From Investing Activities:		
Redemption of Investments	65,848,339	105,816,729
Purchases of Investments	(54,010,452)	(83,518,027)
Funds Held in Custody for Others	2,978	9,141
Net Cash Used by Investing Activities	11,840,865	22,307,843
Net (Decrease in Cash and Cash Equivalents	(1,349,684)	(6,047,560)
Cash and Cash Equivalents, Beginning of Year	5,206,886	11,254,446
Cash and Cash Equivalents, End of Year	$ 3,857,202	$ 5,206,886

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NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Cash Flows
Fiscal Years Ended June 30, 2021 and 2020

		June 30, 2021		June 30, 2020
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$	(1,258,169)	$	334,969
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Decrease in Fair Market Value of Derivative Instrument		515,778		(45,171)
Depreciation and Amortization Expense		542,598		503,197
Trustee Fees, Amortization of Debt Issuance Costs, Commitment Fees & Trust Expense,		266,866		253,842
Amortization of Bond Premium		(100,833)		(192,144)
Unrealized Gains and Losses		(52,943)		55,450
Gain on the Disposal of Fixed Assets		-		(5,000)
Changes in Assets & Liabilities:				
Decrease in Student Loans Receivable, Net		23,674,318		42,254,835
(Increase)Decrease in Student Loan Interest Receivable, Interest Subsidy & Special Allowance Receivable, and Late & Legal Fees Receivable		31,997		623,928
(Increase)Decrease in Investment Income Receivable		2,744		81,758
(Increase)Decrease in Other Current Assets		656,156		(659,235)
(Increase) in Prepaid Interest on Bonds		84,476		84,476
(Decrease) in Accounts Payable and Accrued Liabilities		(413,429)		(940,519)
Net Cash Provided by Operations	$	23,949,559	$	42,350,386
Supplemental Disclosures of Cash Flow Information:				
Interest Collected on FFELP Student Loans	$	7,545,083	$	9,284,747
Interest Subsidy and Special Allowance (Paid to) Collected from the U.S. Department of Education	$	(5,411,500)	$	(1,074,992)
Payments on Notes Payable	$	-	$	-
Proceeds on Notes Payable	$	6,449,525	$	7,200,000
Principal Amount of Bonds Issued	$	-	$	-
Principal Amount of Bonds Refunded or Retired	$	(43,131,450)	$	(77,167,000)
Proceeds from Notes Payable	$	6,449,525	$	7,200,000

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 quasi-governmental, 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.

(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). The initial investment has been adjusted for the earnings and losses as of the year-end. The adjustment is recorded in the Statement of Revenues, Expenses, and Changes in Net Position as Loss on Equity Method Investment. Dividends received from the Investment decreases the carrying amount of the Investment.

(e) Funds Held in Custody for Others

NMEAF is the agent for various in-state educational institutions and the private lending community. As an agent, the Foundation holds and disburses funds for the institutions to qualified students.

(f) Premiums and Borrower Incentive Plan Fees

The Foundation deferred the recognition of premiums paid on student loan notes purchased and amortizes them over the estimated life of the loans as an adjustment to the yield of the related loans. Borrower incentives costs such as origination fees and default fees are also amortized over the estimated life of the related loans. Amortization of these costs is included in other student loan costs expense on the Statement of Revenues, Expenses, and Changes in Net Position.

(g) 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.

(h) 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, 2021 and 2020 were $302,627,959 and $325,330,025, respectively.

Allowance considerations are applied to student loan late and legal fees receivable 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.

(i) Derivative Instruments

The Foundation accounts 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.

(j) Premiums and Gains/Losses on Refunding

Bond premiums and gains/losses on refunding (including gains/losses related to interest rate swap transactions) are deferred and amortized over the term of the new bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums. Gains/losses on refunding are reported as deferred inflows or outflows of resources.

(*k) Bond Issuance Costs*

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

(l) 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 lines are charged to expense as incurred.

(m) Restricted Net Position

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

(n) 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.

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. 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 and school receivables is recognized and accrued in the time period earned.

(o) 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.

(p) 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 2020 of $4,987 for rents received and interest from a note from Collections Resources Inc. (CRI) thus incurring a tax expense of $837. Interest from the note in fiscal year 2021 was $3,451 with an anticipated tax liability of $725.

(q) Recent Accounting Pronouncements

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* is effective for fiscal years beginning after June 15, 2021 but early adoption is recommended for sections of the statement. The objective of this Statement is to improve consistency and comparability of reporting deferred compensation and other employee benefit plans. Management has reviewed the immediate disclosure requirements of this statement and it does not appear that the Foundation needs to implement this statement as we already do not disclose the defined contribution plan as separate.

GASB Statement No. 87, *Leases,* was issued in June 2017 and would have been effective for fiscal year 2020 is effective for fiscal years beginning after June 15, 2021 but 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 is assessing the impact of this Statement on the Foundation's equipment leases and their tenant leases.

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 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 has a derivative SWAP agreement on a bond issue that is affected by this pronouncement. Special Allowance amounts calculated by the Department of Education for the Foundation are primarily calculated by the LIBOR rate. The Department of Education is anticipated to transition calculations for special allowance that utilize LIBOR to the Secured Overnight Financing Rate.

Recent pronouncements effecting future periods include:

- GASB Statement 96, *Subscription-Based Information Technology Arrangements (SBITAs*), will go into effect for fiscal years beginning after June 15, 2022 and will be effective for fiscal year. 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 will require a government to report a subscription assets and subscription liability for a SBITA 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.

- 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 will be effective for fiscal year 2023 after being postponed one year by Statement No. 95 due to COVID 19.

- GASB Statement No. 92, *Omnibus 2020*, was issued in January of 2020 and covers several requirements including defined contribution plans and leases as well as and recent implementation guides. Implementation dates vary, early implementation is encouraged, and GASB Statement No. 95 due to COVID 19 has postponed dates one year. Management is reviewing in tandem with the preceding statements for the applicability to the Foundation.

(r) Subsequent Events

The Foundation has evaluated subsequent events through October 12, 2021, which is the date the financial statements have been issued and have determined no events require disclosure or adjustment to the financial statements.

(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 all investments must comply with New Mexico State Statute 21-21A-17. Generally, this Statute permits investment of funds in the following types of instruments:

- Direct obligations of the United States or its agencies (GNMA, FNMA, FHLB, etc.),
- Certificates of deposit fully collateralized by the above;
- If proceeds from a bond issue, in securities specified under the trust indenture.

As of June 30, 2021, 0% of total cash and investments are in Investment Agreements as defined by the trust indentures. Over 74% 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, 2020, 0% of total cash and investments are in Investment Agreements as defined by the trust indentures. Nearly 73.3% 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 as guaranteed investment contracts and money market funds 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, 2021**:**

	Maturity	Rating		Fair Value
Money Market Funds – Northern Inst. Funds	N/A	Aaa	$	8,478,758
Money Market Funds – Wells Fargo Treasury	N/A	Aaa		6,691,908
JP Morgan 100% US Treas	N/A	Aaa		495,401
CD – Bank of Oklahoma	N/A	Aaa		2,225,000
Cash – Zions Bancorp	N/A	N/A		1,224,250
Money Market Funds – Fidelity-Treasury	N/A	Aaa		217
Total Investments				19,115,534
Money Market Fund – Bank of the West	N/A	N/A		146,411
Demand Deposits and Cash on Hand	N/A	N/A		3,710,791
Total			$	22,972,736

Cash and cash equivalents and investments balances, June 30, 2020**:**

	Maturity	Rating		Fair Value
Money Market Funds – Northern Inst. Funds	N/A	Aaa	$	19,993,107
Money Market Funds – Wells Fargo Treasury	N/A	Aaa		7,539,432
JP Morgan 100% US Treas	N/A	Aaa		1,060,402
CD – Bank of Oklahoma	N/A	Aaa		2,225,000
Cash – Zions Bancorp	N/A	N/A		135,262
Money Market Funds – Fidelity-Treasury	N/A	Aaa		217
Total Investments				30,953,420
Money Market Fund – Bank of the West	N/A	N/A		146,396
Demand Deposits and Cash on Hand	N/A	N/A		5,060,490
Total			$	36,160,306

(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:

Investments by fair value level	Total as of June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Money Market Accounts	$ 16,890,534	$ 16,890,534	$ –	$ –
Total Debt Securities	$ 16,890,534	$ 16,890,534	$ –	$ –
Certificates of Deposit				
Various Bank CDs	$ 2,225,000	$ 2,225,000	$ –	$ –
Total Certificates of Deposit	$ 2,225,000	$ 2,225,000	$ –	$ –
Total Investments by Fair Value Level	$ 19,115,534	$ 19,115,534	$ –	$ –
Investment Derivative Instruments				
Fixed Interest Rate Swaps	$ 462,658	$ –	$ 462,658	$ –
Total Investment Derivative Instruments	$ 462,658	$ –	$ 462,658	$ –

Investments by fair value level	Total as of June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Money Market Accounts	$ 28,728,420	$ 28,728,420	$ –	$ –
Total Debt Securities	$ 28,728,420	$ 28,728,420	$ –	$ –
Certificates of Deposit				
Various Bank CDs	$ 2,225,000	$ 2,225,000	$ –	$ –
Total Certificates of Deposit	$ 2,225,000	$ 2,225,000	$ –	$ –
Total Investments by Fair Value Level	$ 30,953,420	$ 30,953,420	$ –	$ –
Investment Derivative Instruments				
Fixed Interest Rate Swaps	$ 978,436	$ –	$ 978,436	$ –
Total Investment Derivative Instruments	$ 978,436	$ –	$ 978,436	$ –

(d) Equity Method Investment

The initial investment in Collections Resources, Inc. (CRI) was $1,000,000. During the year ended June 30, 2021, CRI had net income of $70,931. The carrying amount of the investment is $606,460 at June 30, 2021. During the year ended June 30, 2020, CRI had a loss of $392,063. The carrying amount of the investment was $535,529 at June 30, 2020. The Foundation entered into a contingent consideration as part of the investment agreement. If certain net income from operations targets are met, CRI will pay the former CRI shareholders a portion of the income. This consideration will be reflected through the income of loss recorded under the equity method.

(4) Student Loans Receivable

Student loans receivable by bond issue and status, June 30, 2021.

Bond Issue	Status: Student	Status: Repayment	Total
General Fund	$ -	$ 11,409,540	$ 11,409,540
Bank of America LOC	1,500	5,132,066	5,133,566
2001 Series A & B	22,713	17,094,018	17,116,731
2002 Series A	28,537	18,399,781	18,428,318
2003 Series A	114,787	27,183,210	27,297,997
2004 Series A	22,207	44,537,061	44,559,268
2007 Series A	350,605	54,514,074	54,864,679
2009 Series A, B, & C	211,906	46,486,285	46,698,191
2016	160,499	41,855,685	42,016,184
2018	-	8,584,086	8,584,086
Series 2010-1	-	12,603,215	12,603,215
Series 2010-2	-	17,073,212	17,073,212
Total	912,754	304,872,233	305,784,987
Less allowance for uncollectible principal	(1,512)	(505,171)	(506,683)
Total	$ 911,242	$ 304,367,062	$ 305,278,304

Student loans receivable by bond issue and status, June 30, 2020:

Bond Issue	Status: Student	Status: Repayment	Total
General Fund	$ 10,857	$ 10,246,334	$ 10,257,191
Bank of America LOC	-	11,009,543	11,009,543
2001 Series A & B	1,500	5,800,744	5,802,244
2002 Series A	40,828	19,176,537	19,217,365
2003 Series A	28,542	20,698,396	20,726,938
2004 Series A	133,636	29,992,233	30,125,869
2007 Series A	43,408	49,643,311	49,686,719
2009 Series A, B & C	444,296	60,412,014	60,856,310
2016	-	9,134,181	9,134,181
2018	-	14,039,366	14,039,366
Series 2010-1	230,398	51,738,531	51,968,929
Series 2010-2	184,712	46,342,977	46,527,689
Total	1,118,177	328,234,167	329,352,344
Less allowance for uncollectible principal	(1,357)	(398,364)	(399,721)
Total	$ 1,116,820	$ 327,835,803	$ 328,952,623

Student loans receivable had variable and fixed interest rates, ranging from 2.43% to 9% at June 30, 2021, and from 2.85% to 9% at June 30, 2020.

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.

Management estimates that approximately $32.2 million or about 11.8% of the outstanding balance of student loans receivable is due within one year for 2021. Generally, student loans are structured with a ten-year repayment period.

(5) Capital Assets

Capital asset activity, year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
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:				
Building, Building Equipment and Improvements	6,962,531	14,587	(28,743)	6,948,375
Furniture and Fixtures	702,170	4,650		706,820
Data Processing Hardware	2,473,881	153,634		2,627,515
Data Processing Software	3,413,258	18,446		3,431,704
Vehicles	23,864			23,864
Total Capital Assets, Being Depreciated	13,575,704	191,317	(28,743)	13,738,278
Less Accumulated Depreciation:				
Building, Building Equipment and Improvements	(3,828,904)	(298,653)	28,743	(4,098,814)
Furniture and Fixtures	(661,464)	(11,579)		(673,043)
Data Processing Hardware	(2,215,870)	(127,059)		(2,342,929)
Data Processing Software	(3,191,233)	(97,352)		(3,288,585)
Vehicles	(7,292)	(7,955)		(15,247)
Total Accumulated Depreciation	(9,904,763)	(542,598)	28,743	(10,418,618)
Total Capital Assets, Being Depreciated, Net	3,670,941	(351,281)	-	3,319,660
Capital Assets, Net	$ 4,682,461	$ (351,281)	$ -	$ 4,331,180

Capital asset activity, year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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:				
Building, Building Equipment and Improvements	6,891,527	81,848	(10,844)	6,962,531
Furniture and Fixtures	719,042	14,230	(31,102)	702,170
Data Processing Hardware	2,535,928	152,270	(214,317)	2,473,881
Data Processing Software	3,356,728	217,736	(161,206)	3,413,258
Vehicles	89,550	23,864	(89,550)	23,864
Total Capital Assets, Being Depreciated	13,592,775	489,948	(507,019)	13,575,704
Less Accumulated Depreciation:				
Building, Building Equipment and Improvements	(3,542,928)	(296,820)	10,844	(3,828,904)
Furniture and Fixtures	(682,124)	(10,442)	31,102	(661,464)
Data Processing Hardware	(2,322,825)	(107,362)	214,317	(2,215,870)
Data Processing Software	(3,271,158)	(81,281)	161,206	(3,191,233)
Vehicles	(89,550)	(7,292)	89,550	(7,292)
Total Accumulated Depreciation	(9,908,585)	(503,197)	507,019	(9,904,763)
Total Capital Assets, Being Depreciated, Net	3,684,190	(13,249)	-	3,670,941
Capital Assets, Net	$ 4,695,710	$ (13,249)	$ -	$ 4,682,461

Depreciation expense, segregated by classification, is as follows:

	Year Ended June 30, 2021	Year Ended June 30, 2020
Building and Building Improvements	$ 298,653	$ 296,820
Furniture and Fixtures	11,579	10,442
Data Processing Hardware	127,059	107,362
Data Processing Software	97,352	81,281
Vehicles	7,955	7,292
Total Accumulated Depreciation	$ 542,598	$ 503,197

(6) Bonds Payable and Notes Payable

Long-term liabilities for the year ended June 30, 2021:

	*Balance July 1, 2020	Increases	Decreases	Due Within One Year	Balance June 30, 2021
Bonds Payable	$ 274,133,000	$ -	$ (43,131,450)	$ (4,190,000)	$ 226,811,550
Bond Premium Payable	155,627	-	(100,833)	(54,794)	
Total Long-Term Liabilities	$ 274,288,627	$ -	$ (43,232,283)	$ (4,244,794)	$ 226,811,550

Long-term liabilities for the year ended June 30, 2020:

	*Balance July 1, 2019	Increases	Decreases	Due Within One Year	Balance June 30, 2020
Bonds Payable	$ 351,300,000	$ -	$ (77,167,000)	$ (13,640,000)	$ 260,493,000
Bond Premium Payable	347,771	-	(192,144)	(100,834)	54,793
Total Long-Term Liabilities	$ 351,647,771	$ -	$ (77,359,144)	$ (13,740,834)	$ 260,547,793

*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, 2021:

Bond Issue	Interest Rate Range	Maturity Range	Bonds Outstanding June 30, 2020	Issued/ (Retired) FY 2021	Bonds Outstanding June 30, 2021
2001 Series A-1	3.75%	9/1/2031	6,250,000	-	6,250,000
2002 Series A-2	3.80%	11/1/2032	5,850,000	-	5,850,000
2003 Series A-2	3.80%	9/1/2033	10,000,000	-	10,000,000
2004 Series A-1	3.88%	4/1/2034	11,650,000	-	11,650,000
2007 Series A	Variable	4/1/2037	64,400,000	-	64,400,000
2009 Series B & C	3.90% to 4.10%	9/1/2018-9/1/2020	8,030,000	(8,030,000)	-
Series 2010-1	Variable	12/1/18-12/1/38	52,865,000	(5,805,000)	47,060,000
Series 2010-2	Variable	12/1/20-12/1/38	44,620,000	(4,445,000)	40,175,000
Series 2013-1	Variable	1/2/2025	49,988,000	(22,244,450)	27,743,550
Series 2016	Variable	6/30/2024	7,469,000	(890,000)	6,579,000
Series 2018	Variable	12/13/2021	13,011,000	(1,717,000)	11,294,000
			274,133,000	(43,131,450)	231,001,550
2009 Series A, B & C and 2010-1 Bond Premium			155,627	(100,833)	54,794
			$ 274,288,627	$ (43,232,283)	$ 231,056,344

As of June 30, 2021, interest rates for the variable bond issues are as follows: 2007 Series A1 2.03%, 2007 Series A2 (taxable) 1.44%, 2010 Series A-3 1.33%, Series 2010-2-A2 1.43%, Series 2010-2-A3 1.35%, Series 2013-1(taxable) A-1 .873%, Series 2016 1.085%, and Series 2018 .885%.

Student Loan Revenue bonds activity and balances by bond issue for the year ended June 30, 2020:

Bond Issue	Interest Rate Range	Maturity Range	Bonds Outstanding June 30, 2019	Issued/ (Retired) FY 2020	Bonds Outstanding June 30, 2020
2001 Series A-1	3.75%	9/1/2031	6,250,000	-	6,250,000
2002 Series A-2	3.80%	11/1/2032	5,850,000	-	5,850,000
2003 Series A-2	3.80%	9/1/2033	10,000,000	-	10,000,000
2004 Series A-1	3.88%	4/1/2034	11,650,000	-	11,650,000
2007 Series A	Variable	4/1/2037	64,400,000	-	64,400,000
2009 Series B & C	3.90% to 4.10%	9/1/2018-9/1/2020	30,405,000	(22,375,000)	8,030,000
Series 2010-1	Variable	12/1/18-12/1/38	62,310,000	(9,445,000)	52,865,000
Series 2010-2	Variable	12/1/20-12/1/38	53,800,000	(9,180,000)	44,620,000
Series 2013-1	Variable	1/2/2025	79,878,000	(29,890,000)	49,988,000
Series 2016	Variable	6/30/2024	9,634,000	(2,165,000)	7,469,000
Series 2018	Variable	12/13/2021	17,123,000	(4,112,000)	13,011,000
			351,300,000	(77,167,000)	274,133,000
2009 Series A, B & C and 2010-1 Bond Premium			347,771	(192,144)	155,627
			$ 351,647,771	$ (77,359,144)	$ 274,288,627

As of June 30, 2020, interest rates for the variable bond issues are as follows: 2007 Series A1 2.13%, 2007 Series A2 (taxable) 1.44%, 2010 Series A-3 1.55%, Series 2010-2-A2 1.65%, Series 2010-2-A3 1.51%, Series 2013-1(taxable) A-1 .873%, Series 2016 1.085%, and Series 2018 .885%.

Interest is payable on a semi-annual basis except for certain taxable bonds, the 2016 and the 2018 which are paid monthly, and the 2010-A-1, A-2 and A-3, 2010-2 A-2 and A-3 which are paid quarterly. Depending on the bond, 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 30,2021	
Year	Bond Principal	Bond Interest
2022	4,190,000	4,330,406
2023	3,100,000	4,313,801
2024	1,700,000	4,238,300
2025-2029	36,022,550	23,704,613
2030-2034	33,750,000	17,811,962
2035-2039	140,945,000	6,674,536
2049	11,294,000	999,293
	$ 231,001,550	62,072,911

Bond interest for the variable bond issues was calculated using the Securities Industry and Financial Market Association (SIFMA), and the London Inter-Bank Offer Rate (LIBOR) rates as of June 30, 2021 (see bonds activity schedules for lists of variable rates at June 30, 2021 and 2020).

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, 2021, there are no arbitrage rebate liabilities.

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, 2021 and 2020, there are no excess earnings liabilities.

NMEAF maintains a line of credit with a financial institution to cover operational liquidity. The borrowing limit on the line of credit is $20 million. The line of credit had an outstanding balance of $15,350,000 and $9,700,000 as of June 30, 2021 and 2020, respectively. Interest is due monthly and is set at the current Libor rate plus 70 basis points for the used portion of the line or 1.17% as of June 30, 2021 and 1.28% as of June 30, 2020. The unused portion has a fixed interest rate of 0.40%. $5,650,000 was drawn on the line during 2021.

NMEAF was granted a Paycheck Protection Program loan from Bank of the West in March 2021 for $799,525 in order to offset lost revenues from collections activities. The loan had an outstanding balance of $799,525 as of June 30, 2021. 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 matures on Feb 25, 2026 and bares interest of 1% per annum, and principal/interest monthly commence January 25, 2021. The funds from the loan may only be 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, certain amounts of the loan may be forgiven and interest foregone if they are used for qualifying expenses. NMEAF intends to use the entire loan amount for these qualifying expenses.

(7) Derivative Instrument

(a) Summary

At June 30, 2021, NMEAF had the following derivative instruments outstanding:

Type		Notional Amount	Effective Date	Maturity Date	Terms		Fair Value
Receive Fixed Interest Rate Swap	$	10,690,000	9/22/2010	11/28/2025	Floating Monthly LIBOR Rate Spread +.699%	$	462,658
		Total Fair Value				$	462,658

At June 30, 2020, NMEAF had the following derivative instruments outstanding:

Type		Notional Amount	Effective Date	Maturity Date	Terms		Fair Value
Receive Fixed Interest Rate Swap	$	16,300,000	9/22/2010	11/28/2025	Floating Monthly LIBOR Rate Spread +.699%	$	939,081
Receive Fixed Interest Rate Swap	$	8,030,000	9/16/2009	9/1/2020	Receive 3.075% pay daily average 3 Month LIBOR	$	39,355
		Total Fair Value				$	978,436

It was determined that these derivative instruments did not meet the criteria for hedge effectiveness and therefore the decrease in value of $515,778 and increase in value of $45,171 is reported as investment revenue for the years ended June 30, 2021 and 2020, respectively. The fair value of the interest rate swaps were estimated based on the present value of the estimated future cash flows.

(b) Risks

Credit risk

The counter party to these interest rate swaps is Royal Bank of Canada. The credit ratings for Royal Bank of Canada are Aaa (long term) and P-1 (short term) by Moody's Investor Service and AA and F1+ by Fitch Ratings.

NMEAF's policy is to require counterparty collateral posting provisions in its derivative instruments. The terms of this interest rate swap require full collateralization in an asset position net of the effect of netting arrangements should the counterparty's credit rating fall below A2 and P-1 as issued by Moody's Investor Service and A and F1 as issued by Fitch Ratings. Collateral posted is to be in the form of Cash, U.S Treasury or Agency Securities.

The fair value of this interest rate swap represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted.

Interest Rate Risk
The Foundation is exposed to interest rate risk on its interest rate swap. As LIBOR increases, NMEAF's net payment on the swap increases.

(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 $1,258,164 and $1,222,884 based upon estimated costs for the Corporation's years ended September 30, 2021 and 2020, respectively.

(b) 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 will be 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, 2021 and 2020, the Foundation's contribution was $237,263 and $265,111, 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 and the renting of office space. Operational support provided may be charged to CRI at the cost of the service provided by the Foundation. Office space provided is at a cost equal to the same amount charged to others renting office space from the Foundation There were charges for operational support in fiscal years 2021 and 2020 of $107 thousand and $0 respectively. Rent received by the Foundation from CRI was $0 and $3,200 for the years ended June 30, 2021 and 2020, respectively. In addition, during the year ended June 30, 2020, the Foundation provided a line of credit to CRI at a rate of 1.66%, compounded monthly. The balance was $127,047 at year-end.

(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 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. NMEAF has sent responses as a follow up to this report which was still open as of June 30, 2021.

The ED conducted a site visit in December 2017 for a review covering the period of October 1, 2015 through September 30, 2017. A final program review determination letter was issued

February 18, 2020, which states that all requirements have been satisfactorily addressed. The program review was closed and no further actions are required.

(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, 2021 and 2020 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 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 monthly amount is $103.

The total expense relating to these lease commitments included on the Statement of Revenues, Expenses and Changes in Net Position as General and Administration – Other Expense for the years ended June 30, 2021 and 2020 was $58,396 and $62,522, respectively.

The total minimum lease expense commitment under the above leases is due as follows, as of June 30, 2021:

Minimum Lease Commitment

As of June 30, 2021		
Year ending June 30, 2021		37,238
	$	37,238

(e) Special Allowance Revenue

During the year ended June 30, 2021 and 2020, Independent Auditors completed agreed-upon procedures engagements of the 9.5% floor according to Department of Education's specifications. The June 30, 2021 and 2020 reports were completed without findings.

(f) Mandatory Redemptions

In addition to scheduled maturities, mandatory redemptions are required in series 2013-1 A-1, 2016, 2018, 2010-1 A-1 and A-3 and 2010-2 A-2 and A-3. The amount of these redemptions is determined on a quarterly basis (monthly for the 2013, 2016 and 2018 series), 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 amounts of $4,190,000 and $13,640,000 as of June 30, 2021 and 2020, respectively.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency	Federal CFDA Number		Expenditures
U.S. Department of Education direct:			
Federal Family Education Loan Program - Lender Interest Subsidies	84.032-L	$	733,032
Total Department of Education Direct Program		$	733,032
Total expenditures of federal awards		$	733,032

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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 quasi-governmental, 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 2021. 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, 2021. 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.

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 $302,627,959 at June 30, 2021. NMEAF did not originate any loans under Federal Family Education Loan Program during the Fiscal Year Ended June 30, 2021. The Foundation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PATTILLO, BROWN & HILL, L.L.P.
5310 Homestead Road N.E. Suite 100 B
Albuquerque, New Mexico 87110
505.266.5904 | pbhcpa.com

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, 2021, 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 12, 2021.

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.

PATTILLO, BROWN & HILL, L.L.P.
5310 Homestead Road N.E. Suite 100 B
Albuquerque, New Mexico 87110
505.266.5904 | pbhcpa.com

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*.

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 12, 2021

PATTILLO, BROWN & HILL, L.L.P.
5310 Homestead Road N.E. Suite 100 B
Albuquerque, New Mexico 87110
505.266.5904 | pbhcpa.com

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
We have audited the New Mexico Educational Assistance Foundation's (the Foundation's) 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, 2021. 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.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program
In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
October 12, 2021

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)?	No

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

No matters reported

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