



FINANCIAL STATEMENTS

Higher Education Loan Authority of the State of Missouri
As of and for the Years Ended June 30, 2026 and 2025
With Reports of Independent Auditors

Higher Education Loan Authority of the State of Missouri

Financial Statements

As of and for the Years Ended June 30, 2026 and 2025

Contents

Report of Independent Auditors.....	1
Required Supplementary Information	
Management’s Discussion and Analysis (Unaudited).....	5
Financial Statements	
Statements of Net Position.....	19
Statements of Revenues, Expenses, and Changes in Net Position	20
Statements of Cash Flows.....	21
Statements of Fiduciary Net Position	23
Statements of Changes in Fiduciary Net Position.....	24
Notes to Financial Statements.....	25
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (Unaudited)	90
Schedule of Contributions (Unaudited)	91
Schedule of Investment Returns (Unaudited)	92
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	93



Ernst & Young LLP
Suite 2600
7676 Forsyth Boulevard
St. Louis, MO 63105

Tel: +1 314 290 1000
ey.com

**Shape the future
with confidence**

Report of Independent Auditors

Members of
The Higher Education Loan Authority of the State of Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Higher Education Loan Authority of the State of Missouri (“the Company”), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements as listed in the table of contents (collectively referred to as the “basic financial statements”).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Company at June 30, 2026 and 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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



**Shape the future
with confidence**

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.



**Shape the future
with confidence**

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 – 18 and Schedule of Changes in Net Pension Liability (Asset) and Related Ratios; Schedule of Contributions; and Schedule of Investment Returns on pages 90 – 92 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Company's basic financial statements. The accompanying supplementary information, as required by Title 2 U.S. Code of Federal Regulations 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the



**Shape the future
with confidence**

audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2026 on our consideration of the Company'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 Company'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 Company's internal control over financial reporting and compliance.

Ernst + Young LLP

September 16, 2026

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (Unaudited)

The Management's Discussion and Analysis of the financial performance is required supplementary information for the Higher Education Loan Authority of the State of Missouri including its blended component units, the Missouri Scholarship and Loan Foundation (the Foundation), and Knowledge Finance, collectively, (the Company). This discussion and analysis provides an analytical overview of the Company's condensed financial statements and should be read in conjunction with the financial statements that follow.

The Company

The Company is recognized as one of the largest nonprofit student loan secondary markets in America by statistics gathered and maintained by the U.S. Department of Education (the Department). The Company is a leading holder and servicer of student loans with \$340.5 billion in student loan assets serviced as of June 30, 2026.

The Company was created by the General Assembly of the State of Missouri through passage of House Bill (HB) 326, signed into law on June 15, 1981, in order to ensure that all eligible post-secondary education students have access to guaranteed student loans. The legislation was amended, effective August 28, 1994, effective August 28, 2003, effective August 28, 2007 and again effective May 2, 2008, to provide the Company with generally expanded powers to finance, originate, acquire, and service student loans, including, but not limited to, those guaranteed or insured pursuant to the Higher Education Act.

The Company is governed by a seven-member Board, five of whom are appointed by the Governor of the State, subject to the advice and consent of the State Senate, and two others who are designated by statute – the State Commissioner of Higher Education and a member of the State Coordinating Board for Higher Education. Scott D. Giles, appointed by the Board during fiscal year 2022, serves as Executive Director and Chief Executive Officer of the Company.

The passage of Senate Bill (SB) 389, effective August 28, 2007, further amended the Company's purpose in order to support the efforts of public colleges and universities to create and fund capital projects and also to support the Missouri Technology Corporation's ability to work with colleges and universities in identifying opportunities for commercializing technologies, transferring technologies, and developing, recruiting, and retaining entities engaged in innovative technologies. In addition, powers of the Company were amended to include fund transfers to the Lewis and Clark Discovery Fund and authorization for the Company to participate in any type of financial aid program that provides grants and scholarships to students.

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

The Company (continued)

The Company owns and services student loans made pursuant to the Higher Education Act under FFELP, including:

- (a) Subsidized Stafford loans – loans to students meeting certain financial needs tests for which the federal government makes interest payments available to reduce student interest cost during periods of enrollment
- (b) Unsubsidized Stafford loans – loans to students made without regard to financial need for which the federal government does not make such interest payments
- (c) PLUS loans – loans to parents of dependent undergraduate and graduate students, or to graduate or professional students
- (d) Consolidation loans – loans available to borrowers with certain existing federal educational loans to consolidate repayment of such loans. The Consolidation Appropriation Act of 2012 was signed into law on December 23, 2011, which, in part, allowed FFELP loan holders to elect to substitute one-month LIBOR for the 90-day AA Financial Commercial Paper (90-day CP) rate for the special allowance program (SAP) index. Starting with the quarter ended June 30, 2013, all Company-owned FFELP loans disbursed after January 1, 2000 are indexed to one-month LIBOR. In July 2023, the Company successfully transitioned from one-month LIBOR to one-month CME Term SOFR plus a tenor spread adjustment of 0.11448%.

The Company was the lender and servicer for supplemental loans, which were also known as private or alternative loans. These supplemental loans were previously made available predominantly to students in the Midwest who reached the maximum available funding under FFELP. There were several types of loans under the supplemental programs, including those for borrowers attending eligible undergraduate, technical, graduate, law, medical, and pharmacy schools. Supplemental loans are not guaranteed by the federal government. The Company suspended its supplemental loan programs during fiscal year 2008 due in part to credit market disruptions, which made financing these loans more difficult.

On June 11, 2010, the Company's Board approved the creation of the Missouri Scholarship Foundation, appointed the initial board of directors. The Missouri Scholarship Foundation was incorporated as a Missouri not-for-profit corporation for the primary purposes of receiving gifts and grants, raising funds, accepting transfers and contributions, and using the resulting funds for (1) administering grants, scholarships, and related programs on behalf of the Company and other entities and (2) assisting students who are residents of the State of Missouri and students who

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

The Company (continued)

attend post-secondary institutions located or based in the State of Missouri to gain access to and finance their post-secondary education.

In September 2013, the Missouri Scholarship Foundation's Board approved the establishment of the Missouri Family Education Loan Program (MOFELP). MOFELP is an interest-free, private student loan program designed to provide borrowing options for Missouri students who have financial need, but may not meet the traditional credit requirements for private loans. In conjunction with the roll-out of MOFELP, the Missouri Scholarship Foundation's Board approved changing the name of the organization to the Missouri Scholarship and Loan Foundation (the Foundation) to better reflect its purpose. The Foundation's MOFELP loans are originated and serviced by the Company.

On September 27, 2019, the Company's Board approved the creation of Knowledge Finance and appointed the initial board of directors. On October 2, 2019, Knowledge Finance was incorporated as a Missouri not-for-profit corporation for the primary purpose of supporting higher education and charitable endeavors. These purposes include the servicing of student loans, as well as, receiving gifts and grants, raising funds, accepting transfers and contributions, and using the related funds in the administration of grants, scholarships, and related programs on behalf of the Company.

Under the HCERA, the Department is required to contract with each eligible and qualified not-for-profit (NFP) servicer to service loans. The Company was awarded an Authorization to Operate (ATO) on September 22, 2011, and a servicing contract to become an NFP servicer to service federal assets, including Direct Loans, on September 27, 2011. On September 19, 2014, the Company received authorization from the Department to service Common Origination Disbursements (COD). The Company is servicing approximately 6.3 million federal asset accounts, representing approximately \$287.5 billion in student loans, as of June 30, 2026.

In June 2020, the Company was awarded a Business Process Operations (BPO) contract for Non-Servicing work. Effective April 1, 2026, the Company is no longer performing work under this contract. During fiscal year 2026, the Company earned \$8.3 million in BPO contracted revenue compared to \$18.9 million in fiscal year 2025.

From July 1, 2022 through April 30, 2024, the Company served as the interim Public Service Loan Forgiveness (PSLF) servicer and processed the largest amount of forgiveness – nearly \$55 billion for 737 thousand individual borrowers – by a Federal Student Aid (FSA) contractor in the history of the program.

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

The Company (continued)

On April 24, 2023, the Company was awarded a 10-year Unified Servicing and Data Solutions (USDS) contract and is expected to replace the existing Federal Loan Servicing contract that expired December 2024.

In addition to the federal loan servicing contracts, at June 30, 2026, the Company serviced \$444.1 million of its own legacy FFELP, supplemental and credit deteriorated student loans. These portfolios helped the Company transition to a federal asset and private loan servicing business model.

The Company continues to focus on the development of creative solutions to support the Company's mission. In the past, the Company has offered various rate reduction programs to borrowers who establish payments through automatic deduction, as well as various loan forgiveness programs. Borrowers who establish payments through automatic deduction can receive a 0.25% interest rate reduction. The Company contributed funds to multiple organizations throughout the previous fiscal years. Contributions made to Access Missouri Financial Assistance Program, Advanced Placement Incentive Grants, A+ Scholarship Program, Bright Flight Scholarship fund, and the Missouri Scholarship and Loan Foundation, are detailed in the table below. The Company reserves the right to modify these programs as needed. In addition, since its inception, the Company has granted over \$48 million in loan forgiveness for a variety of student borrowers, including teachers, Pell Grant recipients, and those in military service.

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued)

(Unaudited)

The Company (continued)

Company contributions to organizations (*dollars in millions*):

	A+ Scholarship Program	Access Missouri Financial Assistance Program	Advanced Placement Incentive Grants	Bright Flight Scholarship Fund	Missouri Scholarship and Loan Foundation
FY 2026	\$ 2.0	\$ 2.0	\$ -	\$ 2.0	\$ -
FY 2025	2.0	2.0	-	2.0	-
FY 2024	2.0	2.0	-	2.0	-
FY 2023	2.0	2.0	0.04	2.0	-
FY 2022	2.0	2.0	-	2.0	19.0
FY 2021	2.0	-	-	2.0	117.9
FY 2020	2.0	1.3	-	1.5	11.5
FY 2019	-	1.0	-	0.5	15.0
FY 2018	-	-	-	1.8	12.6
FY 2017	-	-	-	1.6	10.3
FY 2016	-	-	-	-	4.8
FY 2015	-	-	-	1.0	11.1
FY 2014	-	-	-	-	5.7
FY 2013	-	5.0	-	-	-
FY 2012	-	30.0	1.0	-	-
FY 2011	-	30.0	-	-	-

Financial Analysis

As a result of adopting GASB Statement No. 80 on July 1, 2016, which requires blending of the Company's component units, the Foundation and Knowledge Finance, this report includes financial statements blending the financial activity of the Foundation and Knowledge Finance.

Included in this report are three business-type financial statements: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The statements of net position presents the financial position of the Company at the end of the fiscal year and include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Company. The statements of revenues, expenses, and changes in net position presents the Company's changes in financial position. The statements of cash flows provides a view of the sources and uses of the Company's cash resources.

The Company is also required to present fiduciary activity financial statements for its legacy pension plan. The pension trust fund is used to report resources held in trust for retirees. Fiduciary funds are not available to support the Company's own programs.

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Condensed financial information and a brief synopsis of the variances follow:

Condensed Statements of Net Position (In thousands)

	2026	2025	2024
Capital assets	\$ 35,828	\$ 42,531	\$ 27,112
Other than capital assets	864,561	926,024	1,013,062
Total assets	900,389	968,555	1,040,174
Deferred outflows of resources	12,398	16,963	20,912
Current liabilities	192,949	241,261	151,887
Long-term liabilities	329,156	374,718	528,606
Total liabilities	522,105	615,979	680,493
Deferred inflows of resources	20,788	13,127	12,436
Net investment in capital assets	14,077	15,364	15,077
Restricted for debt service	53,595	58,973	83,272
Unrestricted	302,222	282,075	269,808
Total net position	\$ 369,894	\$ 356,412	\$ 368,157

Condensed Statements of Revenues, Expenses, and Changes in Net Position (In thousands)

	2026	2025	2024
Interest on student loans and interest subsidy	\$ 26,583	\$ 35,604	\$ 43,201
Special allowance	3,398	7,546	13,270
Servicing income and other	278,272	313,310	284,605
Total operating revenues	308,253	356,460	341,076
Student loan expenses	3,632	2,280	8,047
General and administrative expenses	291,453	348,174	349,943
Total operating expenses	295,085	350,454	357,990
Operating income (loss)	13,168	6,006	(16,914)
Noncapital subsidies	(13,177)	(14,123)	(13,812)
Operating income (loss) and noncapital subsidies	(9)	(8,117)	(30,726)
Non-operating revenues (expenses)	13,491	(3,628)	(13,557)
Change in net position	\$ 13,482	\$ (11,745)	\$ (44,283)

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Financial Position

Total assets decreased \$68.2 million (7%) and total deferred outflows of resources decreased \$4.6 million (27%), while liabilities decreased \$93.9 million (15%) and deferred inflows of resources increased \$7.7 million (58%), resulting in an increase to the Company's net position of \$13.5 million (4%) in fiscal year 2026. This increase compares to a decrease in net position of \$11.7 million in fiscal year 2025. The change in net position in fiscal year 2026 is primarily due to a \$17.1 million (472%) increase in total nonoperating revenues and expenses and a \$56.7 million (16%) decrease in total general and administrative expenses, primarily related to a decrease in salaries and employee benefits and computer services in fiscal year 2026.

Net investment in capital assets decreased \$1.3 million (8%) in fiscal year 2026 to \$14.1 million from \$15.4 million in fiscal year 2025. Restricted net position decreased by \$5.4 million (9%) to \$53.6 million in fiscal year 2026 from \$59.0 million in fiscal year 2025. Unrestricted net position increased by \$20.1 million (7%) to \$302.2 million in fiscal year 2026 from \$282.0 million in fiscal year 2025.

For the years ended June 30, 2026 and 2025, the Company recorded deferred outflows of resources related to pension and computer services of \$12.4 million and \$17.0 million, respectively, and deferred inflows of resources related to pension and leases in the amount of \$20.8 million and \$13.1 million, respectively. These amounts result primarily from differences between expected and actual experience, differences between projected and actual earnings on pension plan investments, and changes in assumptions.

Capital Activities

During fiscal year 2026, the Company purchased several software products that are Subscription Based Information Technology Arrangements (SBITA) at a cost of \$3.1 million and also purchased \$4.4 million in software. The Company also signed a lease on one building in Washington, D.C. for \$0.6 million with term of three years.

During fiscal year 2025, the Company purchased several software products that are Subscription Based Information Technology Arrangements (SBITA) at a cost of \$16.3 million and also purchased \$5.6 million in software and data centers to build information technology infrastructure to service a new third-party portfolio. The Company also signed leases on two buildings in Fishers, IN and Wilkes Barre, PA for \$5.8 million with terms of five and three years, respectively.

Please refer to Note 5, Capital Assets, for more information.

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Financial Position (continued)

Other than Capital Assets

The condensed statement of net position, other than capital assets includes the following (in thousands):

	2026	2025	2024
Cash and cash equivalents	\$ 157,194	\$ 182,525	\$ 122,889
Investments	197,105	178,627	173,314
Student loans receivable, net	406,779	451,558	612,548
Accrued interest receivable	38,794	43,297	56,438
Servicing fees receivable	34,602	54,349	37,991
Miscellaneous receivables and prepaid expenses	6,959	6,418	4,433
Net pension asset	23,128	9,250	5,449
Total other than capital assets	<u>\$ 864,561</u>	<u>\$ 926,024</u>	<u>\$ 1,013,062</u>

Cash and cash equivalents decreased \$25.3 million (14%) to \$157.2 million at June 30, 2026 from \$182.5 million at June 30, 2025. This compares to an increase of \$59.6 million (49%) from \$122.9 million at June 30, 2024. Please refer to the statement of cash flows included in the financial statements for detail on the Company's cash activities.

Net student loans receivable decreased \$44.8 million (10%) to \$406.8 million at June 30, 2026 from \$451.6 million at June 30, 2025 due to loan principal reductions of \$48.2 million partially offset by purchase activity of \$3.4 million. This compares to a decrease in net student loans receivable of \$161.0 million (26%) from \$612.5 million at June 30, 2024. In June 2025, the Company sold \$93.8 million of student loans which are included in the \$166.4 million principal reductions.

Accrued interest receivable decreased \$4.5 million (10%) to \$38.8 million at June 30, 2026 from \$43.3 million at June 30, 2025 due to run-off of the portfolio due to normal paydowns, claims, and consolidations to the Department. This compares to a decrease of \$13.1 million (23%) from \$56.4 million at June 30, 2024, due to increased run-off of the portfolio due to normal paydowns, claims, and consolidations to the Department.

Servicing fees receivable decreased \$19.7 million (36%) to \$34.6 million at June 30, 2026 from \$54.3 million at June 30, 2025 primarily due to a more timely receipt of receivables. This compares to an increase in servicing fees receivable of \$16.4 million (43%) at June 30, 2025 from \$38.0 million at June 30, 2024 primarily due to servicing of a new third-party portfolio effective July 1, 2024.

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Financial Position (continued)

At June 30, 2026, there was a net pension asset of \$23.1 million compared to a net pension asset of \$9.3 million at June 30, 2025, and a net pension asset of \$5.4 million at June 30, 2024. Please refer to Note 9 for more information on the Company's net pension asset.

Liabilities

Current liabilities decreased \$48.3 million (20%) to \$192.9 million at June 30, 2026 from \$241.3 million at June 30, 2025, due to a \$41.5 million decrease in lender payables primarily due to servicing fewer third-party portfolios. The decrease was offset by an increase of current bonds payable of \$1.8 million. Long-term liabilities decreased by \$45.6 million (12%) to \$329.2 million at June 30, 2026 as the Company repaid bonds with available cash as required by the respective bond trusts. The Company has no net pension liability as of June 30, 2026 and 2025.

For fiscal year 2025, current liabilities increased \$89.4 million (59%) to \$241.3 million at June 30, 2025 from \$151.9 million at June 30, 2024, due to a \$121.9 million increase in lender payables primarily due to servicing a new third-party portfolio. The increase was offset by a decrease of current bonds payable of \$20.5 million. Long-term liabilities decreased by \$153.9 million (29%) to \$374.7 million at June 30, 2025 as the Company repaid bonds with available cash as required by the respective bond trusts and redeemed Bond 2021-3 in June 2025. The Company has no net pension liability as of June 30, 2025 and 2024.

Operating Results

Operating Revenues

Total operating revenues decreased \$48.2 million to \$308.2 million in fiscal year 2026 from \$356.4 million in fiscal year 2025. The primary reason for the decrease was a decrease in net servicing fee revenue of \$34.9 million due to the Company's decline in the number of borrowers serviced. Moreover, there was a decrease in interest revenue on student loans of \$9.0 million. Interest on student loans declined primarily due to a \$44.8 million reduction in student loans outstanding. In addition, due to a decrease in interest rates, the amount of special allowance revenue decreased \$4.2 million in fiscal year 2026 to \$3.4 million from \$7.6 million in fiscal year 2025. The interest rate that impacts the special allowance calculation is the one-month SOFR. The average one-month SOFR decreased 0.85% to 3.88% in fiscal year 2026 from 4.73% in fiscal year 2025. The decrease in rates results in an increased amount of special allowance that is paid and in fiscal year 2026 there was a special allowance refund that was smaller compared to fiscal year 2025.

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Operating Results (continued)

Total operating revenues increased \$15.4 million to \$356.4 million in fiscal year 2025 from \$341.1 million in fiscal year 2024. The primary reason for the increase was an increase in net servicing fee revenue of \$28.0 million due to the Company's growth in the number of borrowers serviced related to a new third-party portfolio. Offsetting the increase in revenue was a decrease in interest revenue on student loans of \$7.6 million. Interest on student loans declined primarily due to a \$161.0 million reduction in student loans outstanding. In addition, due to a decrease in interest rates, the amount of special allowance revenue decreased \$5.7 million in fiscal year 2025 to \$7.6 million from \$13.3 million in fiscal year 2024. The interest rate that impacts the special allowance calculation is the one-month SOFR. The average one-month SOFR decreased 0.71% to 4.73% in fiscal year 2025 from 5.44% in fiscal year 2024. The decrease in rates results in an increased amount of special allowance that is paid and in fiscal year 2025 there was a special allowance refund that was smaller compared to fiscal year 2024.

Fixed rate unsubsidized Stafford loans made on or after July 1, 2006 and subsidized Stafford loans made between July 1, 2006 and June 30, 2008, in all loan statuses bear interest at 6.8%. Fixed rate subsidized Stafford loans made between July 1, 2008 and June 30, 2009, bear interest at 6.0%, while the same loans made between July 1, 2009 and June 30, 2010, bear interest at 5.6%. Subsidized and unsubsidized Stafford loans made on or after July 1, 1998 and before July 1, 2006, that are in a status other than in-school, in-grace, or deferment bear interest at a rate equivalent to the 91-day U.S. Treasury Bill (91-day T-Bill) rate plus 2.30%, with a maximum rate of 8.25%. Stafford loans made within the same period that are in an in-school, in-grace, or deferment status bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.70%, with a maximum rate of 8.25%. The variable rate loans are adjusted annually on July 1 based on the 91-day T-Bill rate as of the last auction date in May. The 91-day T-Bill rate in effect for fiscal year 2026 was 3.68%, which set the rates on these loans at 5.98% and 5.38%, respectively. The rates on the same loans during fiscal year 2025 were 6.66% and 6.06%, respectively, and during fiscal year 2024 were 7.76% and 7.16%, respectively.

PLUS loans first disbursed on or after July 1, 2006 bear interest at a fixed rate of 8.5%. Variable rate PLUS loans made on or after July 1, 1998 bear interest at a rate equivalent to the 91-day T-Bill plus 3.10%, with a maximum rate of 9.0%. The rates are adjusted annually on July 1 based on the 91-day T-Bill rate as of the last auction date in May. The 91-day T-Bill rate in effect for fiscal year 2026 was 3.99%, which set the rate on these loans at 7.09%, as compared to 7.46% for fiscal year 2025 and 5.46% for fiscal year 2024. Consolidation loans for which the application was received by an eligible lender on or after October 1, 1998 bear interest at a rate equal to the weighted average of the loans consolidated, rounded to the nearest higher one-eighth of 1%, with a maximum rate of 8.25%.

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Operating Results (continued)

Special allowance is paid to or rebated by the Company on the spread between student loan borrower interest rates and the one-month SOFR or 91-day T-Bill rates. For example, federal law requires the Company to charge a parent an 8.5% interest rate on a PLUS loan originated after July 1, 2006, which the Company collects from the parent borrower. However, the Company only earns a yield on that loan at the one-month SOFR plus 1.94%. The one-month SOFR for the quarter ended June 30, 2026 was 3.80%, which means the Company's annual yield for that quarter was 5.74%. The Company is required to rebate the additional interest paid by the borrower of 1.00% (8.50% – 7.50%) to the Department through the rebate of excess special allowance, which is often referred to as negative special allowance.

Operating Expenses

Total operating expenses decreased \$55.4 million (15%) in fiscal year 2026 from fiscal year 2025. The decrease was a result of a decrease in general and administrative expenses of \$56.7 million, offset by an increase in student related expenses of \$1.3 million. This compares to a \$6.3 million (2%) decrease in operating expenses in fiscal year 2025 from fiscal year 2024. The decrease in fiscal year 2025 was a result of a decrease in general and administrative expenses of \$0.5 million, and a decrease \$5.8 million in student loan related expenses.

General and administrative expenses, which include salaries and employee benefits, postage and forms, computer services, professional fees, occupancy expense, depreciation and amortization, grants, and other operating expenses, decreased by \$56.7 million (16%) in fiscal year 2026. The decrease in general and administrative expenses can be attributed primarily to a \$4.0 million decrease in postage and forms, a \$13.6 million decrease in computer services, a decrease in salaries and employee benefits of \$37.9 million, and a decrease in other operating expenses of \$9.1 million. The decrease in salaries and employee benefits was due to a decrease in the average number of employees and contracted employees in fiscal year 2026. This decline was led by a decrease in the volume of student loans the Company is servicing. The Company began fiscal year 2026 servicing approximately 8.5 million borrowers and ended the fiscal year servicing approximately 7.9 million borrowers. Comparatively, in fiscal year 2025, general and administrative expenses decreased \$0.5 million (1%). The decrease in general and administrative expenses can be attributed primarily to a decrease of \$6.5 million in postage and forms and a \$21.0 million decrease in computer services. This was offset by increases in salaries and employee benefits of \$14.0 million, \$5.6 million in depreciation and amortization, and \$7.2 million in other operating expenses. The increase in salaries and employee benefits was due to increase in the average number of employees and contracted employees in fiscal year 2025. This rise was led by an increase in the volume of student loans the Company is servicing and the Company's continual extensive efforts to consult and assist borrowers. The increase in salaries and benefits is also a result of return to repayment for direct

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Operating Results (continued)

loan borrowers on September 1, 2023, after being paused since March 2020. The Company began fiscal year 2025 servicing approximately 7.5 million borrowers and ended the fiscal year servicing approximately 8.5 million borrowers.

Total student loan-related expenses increased in fiscal year 2026 to \$3.6 million from \$2.3 million in fiscal year 2025. There was a \$0.7 million decrease in consolidation rebate fees to \$2.1 million in fiscal year 2026. The decrease in consolidation rebate fees was due to a \$21.7 million decline in the Company's outstanding consolidation student loan principal during fiscal year 2026. The provision for loan losses increased by \$2.1 million in fiscal year 2026. In comparison, total student loan-related expenses decreased in fiscal year 2025 to \$2.3 million from \$8.0 million in fiscal year 2024. There was a \$0.9 million decrease in consolidation rebate fees to \$2.8 million in fiscal year 2025. The decrease in consolidation rebate fees was due to a \$86.9 million decline in the Company's outstanding consolidation student loan principal during fiscal year 2025. The provision for loan losses decreased by \$4.8 million in fiscal year 2025.

Noncapital Subsidies

Total noncapital subsidies decreased \$0.9 million in fiscal year 2026 to \$13.2 million compared to \$14.1 million in fiscal year 2025. The decrease was due to a \$1.1 million decrease in scholarships, offset by a \$0.2 million increase in grants.

Total noncapital subsidies decreased \$0.9 million in fiscal year 2025 to \$14.1 million compared to \$15.0 million in fiscal year 2024. The decrease was due to a \$0.5 million decrease in scholarships, a \$0.1 million decrease in grants, and a \$0.3 million decrease in partnership projects.

In fiscal years 2026, 2025, and 2024, the Company contributed \$2.0 million, \$2.0 million, and \$2.0 million, to the Bright Flight Scholarship fund, respectively. In fiscal years 2026, 2025, and 2024, the Company contributed \$2.0 million, \$2.0 million, and \$2.0 million to the A+ Scholarship Program, respectively. In fiscal years 2026, 2025, and 2024, the Company contributed \$2.0 million, \$2.0 million, and \$2.0 million to Access Missouri Financial Assistance Program, respectively.

Other Non-operating Revenues and Expenses

Interest expense decreased \$9.7 million (37%) to \$16.5 million in fiscal year 2026 from \$26.2 million in fiscal year 2025, primarily due to interest rate decreases and lower debt balances from loan repayments being used to pay down the principal balances. In addition, there was a \$40.3 million (10%) decrease in bonds outstanding debt of the Company. In fiscal year 2019, the

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Operating Results (continued)

Company obtained a Direct Borrowing Note Payable from Commerce Bank in the amount of \$13.3 million. The interest rate for the Note Payable was fixed at 4.24%. In March 2024, the note was refinanced to a variable rate of 1 month CME Term SOFR plus 1.85% with a due date of March 2025. This note was extended to a due date of March 2026. The terms of the note is a variable rate 1 month CME Term SOFR plus 2.10%. In March 2026, the Company extended the note payable with the same terms maturing in March 2027.

The Company continued to experience various interest rate decreases on its debt in fiscal year 2026 due to market interest rate changes. The interest on SOFR floating notes decreased throughout the year. The Company's floating rate notes are priced at one-month SOFR plus a spread from 0.57% to 1.52%. There is a fixed rate component which is 1.53%, 1.97%, and 1.58% for bond 2021-1, 2021-2, and 2021-3, respectively. Bond 2021-3 was redeemed in June 2025. The average one-month SOFR decreased 0.85% to 3.88% in fiscal year 2026. Total bond related expenses decreased \$9.2 million to \$15.4 million in fiscal year 2026. Comparatively, bond related expense decreased \$12.0 million to \$24.6 million in fiscal year 2025 from \$36.6 million in fiscal year 2024. The fiscal year 2026 decrease in bond related expense is primarily due to market interest rate decreases and lower debt balances.

Continuing Developments

Lewis and Clark Discovery Initiative

On August 28, 2007, legislation establishing the Lewis and Clark Discovery Initiative (the Initiative) became law. The legislation, known as SB 389 (the LCDI Legislation) directs the Company to distribute \$350.0 million into a fund in the State Treasury known as the Lewis and Clark Discovery Fund (the Fund) by September 30, 2013, in varying increments, unless otherwise approved by the Company and the Missouri Commissioner of the Office of Administration. Investment earnings on the Fund are credited against subsequent payments by the Company. In addition, the LCDI Legislation provides that the Company may delay payments if the Company determines that any such distribution may materially adversely affect the service and benefits provided to Missouri students or residents in the ordinary course of the Company's business, the borrower benefit programs of the Company, or the economic viability of the Company. The General Assembly has appropriated amounts to be deposited in the Fund for certain capital projects at public colleges and universities. The law provides that following the initial distribution by the Company, the Missouri Director of Economic Development shall allocate to and reserve for the Company in 2007 and the next 14 years, at least 30% of Missouri's tax-exempt, private activity bond cap allocation. The amount of this allocation may be reduced for 2015 and later years by the

Higher Education Loan Authority of the State of Missouri

Management's Discussion and Analysis (continued) (Unaudited)

Continuing Developments (continued)

percentage of the \$350.0 million not paid by the Company to the Fund by the end of the preceding year.

On September 7, 2007, the Members of the Company's Board approved a resolution to fund the initial payment of \$230.0 million and on September 14, 2007, in accordance with the Board's Resolution, the Company sent a \$230.0 million wire to the Missouri State Treasury. Subsequently, the Members of the Company's Board approved resolutions to fund additional payments, net of interest income earned on the funds on deposit with the State Treasurer, of \$3.9 million. The Fund has also earned interest income of \$10.9 million since inception. For each quarterly payment due subsequent to September 30, 2008 through the year ended June 30, 2013, the Board did not authorize a payment to the Fund. The remaining unfunded amount of the LCDI was \$105.1 million as of June 30, 2025.

During fiscal years 2011, 2012, and 2013, the Company received two-year, three-year, and one-year extensions, respectively, from the Commissioner of the Office of Administration on the payment of LCDI funds to September 30, 2019. The extensions were approved as a part of the Company's agreement to provide \$30.0 million, \$30.0 million, and \$5.0 million for need-based scholarships under the Access Missouri Financial Assistance Program during the 2011, 2012, and 2013 fiscal years, respectively.

During fiscal year 2017, the Company received a five-year extension from the Commissioner of the Office of Administration on the payment of LCDI funds to September 30, 2024 with one year extensions for each additional \$5 million in Foundation funding.

The Company will continue analyzing and determining on an annual basis what, if any, distribution the Company should make to the LCDI Fund. The Company is unsure whether it will be able to make any significant future distributions required by the LCDI Legislation. Any such distributions by the Company could substantially decrease the amount of its capital and, accordingly, erode its funds for new programs and contingencies related to current operations.

The Company accounts for the funding of the LCDI in accordance with GASB Statement No. 33 as a voluntary non-exchange transaction, because the Company will provide value to the Fund in excess of the value received in return. The Company does not record a liability for the unfunded amount of the LCDI because the time requirement of the final funding has not been met and payment of the unfunded amount has not been deemed probable as of June 30, 2026.

Higher Education Loan Authority of the State of Missouri

Statements of Net Position (Dollars in Thousands)

	As of June 30, 2026	As of June 30, 2025
Assets and deferred outflows of resources:		
Current assets:		
Cash and cash equivalents:		
Restricted	\$ 119,617	\$ 162,799
Unrestricted	37,577	19,726
Total cash and cash equivalents	157,194	182,525
Investments – unrestricted	197,105	178,627
Student loans receivable	50,285	52,163
Accrued interest receivable:		
Interest subsidy – U.S. Department of Education	129	395
Student loans receivable (less allowance for doubtful loans \$448 and \$717)	38,094	40,082
Special allowance subsidy receivable	571	2,820
Total accrued interest receivable	38,794	43,297
Servicing fees receivable	34,602	54,349
Miscellaneous receivables and prepaid expenses	6,894	6,385
Total current assets	484,874	517,346
Long-term assets:		
Student loans receivable (less allowance for doubtful loans \$5,969 and \$6,534)	356,494	399,395
Net pension asset	23,128	9,250
Miscellaneous receivables and prepaid expenses	65	33
Capital assets, at cost less accumulated depreciation and amortization of \$49,730 and \$38,476	35,828	42,531
Total long-term assets	415,515	451,209
Total assets	\$ 900,389	\$ 968,555
Deferred outflows of resources – pension	10,161	16,783
Deferred outflows of resources – SERP	137	180
Deferred outflows of resources – computer services	2,100	-
Total deferred outflows of resources	12,398	16,963
Liabilities, deferred inflows of resources and net position:		
Current liabilities:		
Bonds payable	\$ 36,670	\$ 34,879
Accounts payable and accrued liabilities	25,421	31,408
Note payable	4,028	5,493
Accrued interest payable	233	297
Lender payable	106,527	147,989
Other	20,070	21,195
Total current liabilities	192,949	241,261
Long-term liabilities:		
Bonds payable	317,165	359,256
Other	10,752	14,115
Net pension liability - SERP	1,239	1,347
Total long-term liabilities	329,156	374,718
Total liabilities	\$ 522,105	\$ 615,979
Deferred inflows of resources - pension	20,366	12,605
Deferred inflows of resources - SERP	422	441
Deferred inflows of resources - leases	-	81
Total deferred inflows of resources	20,788	13,127
Net position:		
Net investment in capital assets	14,077	15,364
Restricted for debt service	53,595	58,973
Unrestricted	302,222	282,075
Total net position	\$ 369,894	\$ 356,412

See notes to financial statements.

Higher Education Loan Authority of the State of Missouri

Statements of Revenues, Expenses, and Changes in Net Position (Dollars in Thousands)

	For the Year Ended June 30, 2026	For the Year Ended June 30, 2025
Operating revenues, net:		
Interest on student loans, net	\$ 26,061	\$ 34,760
U.S. Department of Education:		
Interest subsidy	522	844
Special allowance	3,398	7,546
Servicing fees	278,175	313,097
Other	97	213
Total operating revenues, net	<u>308,253</u>	<u>356,460</u>
Operating expenses:		
Consolidation rebate fees	2,065	2,809
Provision (Benefit) for loan losses	1,567	(529)
Total student loan-related expenses	<u>3,632</u>	<u>2,280</u>
Salaries and employee benefits	188,694	226,656
Postage and forms	17,370	21,375
Computer services	36,776	50,410
Professional fees	21,774	16,931
Occupancy expense	1,146	1,124
Depreciation and amortization	12,233	9,127
Other operating expenses	13,460	22,551
Total general and administrative expenses	<u>291,453</u>	<u>348,174</u>
Total operating expenses	<u>295,085</u>	<u>350,454</u>
Operating income	<u>13,168</u>	<u>6,006</u>
Noncapital subsidies:		
Scholarships	(5,591)	(6,759)
Grants	(679)	(474)
Partnership Projects	(907)	(890)
Bright Flight Contribution	(2,000)	(2,000)
Access Missouri Financial Assistance Program	(2,000)	(2,000)
A+ Scholarship Program	(2,000)	(2,000)
Total noncapital subsidies	<u>(13,177)</u>	<u>(14,123)</u>
Operating income and noncapital subsidies	<u>(9)</u>	<u>(8,117)</u>
Non-operating revenues (expenses):		
Gain on sale of loans	-	1,878
Investment income	4,925	5,142
Realized and unrealized gain on investments	25,061	15,556
Bond interest expense	(15,354)	(24,614)
Other interest expense	(1,141)	(1,590)
Total non-operating revenues (expenses)	<u>13,491</u>	<u>(3,628)</u>
Change in net position	13,482	(11,745)
Net position, beginning of year	356,412	368,157
Net position, end of year	<u>\$ 369,894</u>	<u>\$ 356,412</u>

See notes to financial statements.

Higher Education Loan Authority of the State of Missouri

Statements of Cash Flows (Dollars in Thousands)

For the Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Student loan and interest purchases	\$ (3,377)	\$ (5,396)
Student loan repayments	78,504	125,507
Payments to employees	(141,808)	(162,626)
Payments to vendors	(141,263)	(194,583)
Net settlement of government interest	4,456	3,624
Cash received for servicing fees	297,214	293,996
Student loan repayments owed to lenders	(41,462)	121,947
Disbursement of new student loans	(1,714)	(5,000)
Other	88	50
Net cash provided by operating activities	<u>50,638</u>	<u>177,519</u>
Cash flows from noncapital financing activities:		
Proceeds from line of credit	-	21,000
Repayment of line of credit	-	(21,000)
Repayment of bonds	(40,301)	(183,694)
Proceeds from the sale of loans	-	101,329
Gain on sale of loans	-	1,878
Repayment of notes payable	(1,465)	(1,465)
Interest paid on debt	(15,418)	(24,837)
Subsidies for Scholarships, Grants, and Partnership Projects	(6,543)	(7,268)
Subsidies for Bright Flight	(2,000)	(2,000)
Subsidies for Access Missouri	(2,000)	(2,000)
Subsidies for A+ Scholarship Program	(2,000)	(2,000)
Net cash used in noncapital financing activities	<u>(69,727)</u>	<u>(120,057)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(10,190)	(13,585)
Lease draws	5,160	10,386
Repayment of right to use assets	(11,018)	(8,563)
Interest paid on debt, other than bonds	(1,141)	(1,952)
Net cash used in capital and related financing activities	<u>(17,189)</u>	<u>(13,714)</u>
Cash flows from investing activities:		
Sale of investments, net of purchases	10,063	9,898
Interest received on cash, cash equivalents and investments	884	5,990
Net cash provided by investing activities	<u>10,947</u>	<u>15,888</u>
Change in cash and cash equivalents	(25,331)	59,636
Cash and cash equivalents, beginning of year	182,525	122,889
Cash and cash equivalents, end of year	<u>\$ 157,194</u>	<u>\$ 182,525</u>

See notes to financial statements.

Higher Education Loan Authority of the State of Missouri

Statements of Cash Flows (Dollars in Thousands)

	<u>2026</u>	<u>2025</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 13,168	\$ 6,006
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	12,233	9,127
Net pension asset and inflows and outflows	447	839
Provision (Benefit) for loan losses	1,567	(529)
Loss on remeasurement of lease	-	3,772
Loss on sale of capital assets	2	-
Change in assets and liabilities:		
Decrease in student loans receivable	43,214	60,190
Decrease in accrued interest receivable	2,254	12,962
Decrease (Increase) in servicing fees receivable	19,746	(16,359)
Decrease (Increase) in miscellaneous receivables and prepaid expenses	22	(2,123)
Decrease in net pension liability	(109)	(293)
Decrease in accounts payable and accrued liabilities	(8,291)	(18,631)
(Decrease) Increase in lender payables	(41,462)	121,947
Increase in other liabilities	5,599	432
Increase in special allowance subsidy	2,248	179
Total adjustments	37,470	171,513
Net cash provided by operating activities	<u>\$ 50,638</u>	<u>\$ 177,519</u>
Noncash investing, capital, and financing activities:		
Changes in investments and outstanding liabilities related to capital assets	<u>\$ 27,980</u>	<u>\$ 32,931</u>

Higher Education Loan Authority of the State of Missouri

Statements of Fiduciary Net Position (Dollars in Thousands)

	June 30, 2026	June 30, 2025
Assets:		
Cash and cash equivalents	\$ 3,334	\$ 1,584
Investments:		
Fixed income securities	20,778	19,944
Equities	73,135	65,906
Total cash, cash equivalents, and investments	97,247	87,434
Receivables	190	169
Total assets	97,437	87,603
Liabilities:		
Due to unsettled trades	-	-
Net position restricted for pension benefits	\$ 97,437	\$ 87,603

Higher Education Loan Authority of the State of Missouri

Statements of Changes in Fiduciary Net Position (Dollars in Thousands)

	For the Year Ended June 30, 2026	For the Year Ended June 30, 2025
Additions:		
Contributions:		
Employer	\$ 2,361	\$ 4,148
Investment earnings:		
Interest	819	877
Dividends	1,439	1,176
Net increase in fair value of investments	12,994	8,678
Less: investment expense	(216)	(208)
Total additions	<u>17,397</u>	<u>14,671</u>
Deductions:		
Benefit payments	<u>7,563</u>	<u>10,101</u>
Total deductions	<u>7,563</u>	<u>10,101</u>
Net increase in fiduciary net position	9,834	4,570
Net position restricted for pension benefits:		
Beginning of year	87,603	83,033
End of year	<u>\$ 97,437</u>	<u>\$ 87,603</u>

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements

(Dollars in Thousands)

1. Description of the Organization

The Higher Education Loan Authority of the State of Missouri and its blended component units, the Missouri Scholarship and Loan Foundation (the Foundation), and Knowledge Finance collectively, (the Company) was created by Legislation, which was signed into law on June 15, 1981 by the Governor of the State of Missouri and became effective on September 28, 1981. The purpose was to provide a secondary market for loans made under the Federal Family Education Loan Program (FFELP) provided for by the Higher Education Act. The legislation was amended, effective August 28, 1994, effective August 28, 2003, effective August 28, 2007 and again effective May 2, 2008, to provide the Company with generally expanded powers to finance, originate, acquire, and service student loans, including, but not limited to, those guaranteed or insured pursuant to the Higher Education Act. The Company is assigned to the Missouri Department of Higher Education; however, by statute, the State of Missouri is in no way financially accountable for the Company. Student loan revenue bonds outstanding are payable as specified in the resolutions authorizing the sale of bonds. The bonds are not payable from funds received from taxation and are not debts of the State of Missouri or any of its other political subdivisions.

The Company was historically one of the lenders for supplemental loans made available to students in the Midwestern region who had reached the maximum amount available under FFELP. The balance of these loans outstanding is approximately 3% of the total loan receivable balance as of June 30, 2026. During fiscal year 2008, the Company discontinued originating supplemental and FFELP consolidation loans.

On March 30, 2010, the President signed into law The Health Care and Education Reconciliation Act of 2010, which included the Student Aid and Fiscal Responsibility Act (SAFRA). Effective July 1, 2010, the legislation eliminated the authority to provide new loans under FFELP and required that all new federal loans be made through the Direct Loan Program. The new law does not alter or affect the terms and conditions of existing FFELP loans. The Company continues to service and purchase FFELP loans.

After restructuring operations to reflect the change in law, in September 2011, the Company was awarded a Federal Servicing contract with the U.S. Department of Education (the Department) and given the specified initial allotment of 100,000 federal accounts for servicing. In accordance with the solicitation, the Company also began partnering with other nonprofit loan servicing organizations (NFP servicers or subcontractors) that were eligible to receive the initial allotment of 100,000 federal accounts but did not have a servicing contract with the Department. Under agreements signed with these subcontractors, the Company services each entity's initial allocation of federal accounts and initially provided the subcontractor with a portion of the revenues.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

1. Description of the Organization (continued)

On April 24, 2023, the Company was awarded a 10-year Unified Servicing and Data Solutions (USDS) contract that went into effect April 1, 2024 and is replacing the former Federal Loan Servicing contract that expired December 2024.

Blended Component Units

Missouri Scholarship and Loan Foundation

On June 11, 2010, the Company's Board approved the creation of the Missouri Scholarship Foundation and appointed the initial Board of Directors. The Missouri Scholarship Foundation was incorporated as a Missouri not-for-profit corporation for the primary purposes of receiving gifts and grants, raising funds, accepting transfers and contributions, and using the resulting funds for (1) administering grant, scholarship, and related programs on behalf of the Company and other entities and (2) assisting students who are residents of the State of Missouri and students who attend post-secondary institutions located or based in the State of Missouri to gain access to and finance their post-secondary education.

In September 2013, the Missouri Scholarship Foundation's Board approved the establishment of the Missouri Family Education Loan Program (MOFELP). MOFELP is an interest-free, private student loan program designed to provide borrowing options for Missouri students who have financial need, but may not meet the traditional credit requirements for private loans. In conjunction with the roll-out of MOFELP, the Missouri Scholarship Foundation's Board approved changing the name of the organization to the Missouri Scholarship and Loan Foundation (the Foundation) to better reflect its purpose. The Foundation's MOFELP loans are originated and serviced by the Company.

The Foundation has been approved by the Internal Revenue Service (IRS) as a tax-exempt 501(c)(3) entity for federal tax purposes. All significant contributions received by the Foundation are expected to be made by the Company.

The Bylaws of the Foundation call for the Foundation to be governed by a Board of three to thirteen Directors. Directors are appointed by the existing Board of Directors of the Foundation after the proposed appointments are submitted to the Company for approval. The Company is responsible for approving or disapproving proposed appointees to the Board of Directors. Any Director elected by the Board of Directors can be removed without cause by the Company. The current Foundation Directors include the Company's Executive Director, the Company's Chief Financial Officer, the Company's Director of Business Development and Government Relations, the Deputy Commissioner for Operations of Higher Education and Workforce Development, the retired President and CEO of Community Foundation of the Ozarks, and the retired President and CEO

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

1. Description of the Organization (continued)

of Kansas City Scholars Inc. The Executive Director of the Company serves as a voting member of the Board ex officio as well as Board Chair. The Company must approve any amendments to the Bylaws or Articles of Incorporation of the Foundation. The Foundation may only appoint an executive director, responsible for overseeing the Foundation's day-to-day operations, with the approval of the Company.

The Foundation can be dissolved by its own Board of Directors with approval from the Company. Upon dissolution, any remaining assets would be reverted to the Company. The Company does not have the unilateral authority to dissolve the Foundation; dissolution first requires the action of its own Board of Directors.

Knowledge Finance

On September 27, 2019, the Company's Board approved the establishment of Knowledge Finance with the Company as the sole corporate member, the Board of Directors to be composed only of the Company's executives. On October 2, 2019, Knowledge Finance was incorporated as a Missouri not-for-profit corporation for the primary purposes of receiving gifts and grants, to raise funds, accept transfers and contributions, and to use the resulting funds for its proper purposes, including, without limitation, the administration of grant, scholarship and related programs on behalf of the other entities, or to make distributions thereof for purposes and activities that qualify as exempt under section 501(c)(3) of the Internal Revenue Code.

The Foundation and Knowledge Finance are treated as component units as the Company approves the appointment of the Board of Directors and has the ability to impose its will on the units. The units are blended component units as they are a not-for-profit corporation in which the Company is the sole corporate member. As a blended component unit, the financial results of the Foundation and Knowledge Finance are included with the financial results of the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

The financial statements have been prepared on the basis of the governmental enterprise fund concept, which pertains to financial activities that operate similarly to a private business enterprise. The financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. The Company is engaged only in business-type and fiduciary activities; therefore, government-wide financial statements are not presented.

In accordance with its bond and other borrowing resolutions, fund accounting principles are utilized, whereby each fund is a separate set of self-balancing accounts. The assets of each bond fund are restricted pursuant to the bond resolutions. To accomplish the various public purpose loan programs empowered by its authorizing legislation and to conform with the bond and note resolutions and indentures, financial activities are recorded in the various operating and bond-related funds (see Note 10). Administrative transactions and those loan transactions not associated with bond issues are recorded in the Operating Fund. For financial statement presentation purposes, the funds have been aggregated into a single enterprise fund.

Fiduciary Fund Statements

The statements of fiduciary net position and the statements of changes in the fiduciary net position provide information on the Company's fiduciary activities in its pension trust fund accounts which reports resources held in trust for pension benefit payments to qualified beneficiaries.

Use of Estimates

The preparation of the financial statements 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 statement of net position dates and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to pension, credit deteriorated loans, the allowance for doubtful loans, and calculations of current and long-term student loans receivable and current and long-term bonds payable.

Cash Equivalents

All investment securities with original maturities of less than 90 days at the date of purchase are considered cash equivalents. All cash equivalents that are held by a trustee in accordance with the provisions of bond indentures or other financing agreements are classified as restricted. Cash equivalents are reported at fair value. See Note 3 for more information.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are reported at fair value. Restricted investments include those that are held by a trustee in accordance with the provisions of bond indentures or other financing agreements. See Note 3 for more information.

Student Loans Receivable

Student loans receivable consist of FFELP, MOFELP, and supplemental loans, which are stated at the principal amount outstanding adjusted for an allowance for doubtful amounts. In addition, the Company has purchased credit deteriorated loans at a discount. The credit deteriorated loans are stated at cost and are accreted to the present value of expected future cash flows, as discussed in Note 4.

Accrued Interest Receivable

Interest on student loans is accrued based upon the actual principal amount outstanding. The Department makes quarterly interest payments on subsidized FFELP loans until the student is required, under the provisions of the Higher Education Act, to begin repayment. Repayment must begin generally within six months after the student completes his or her course of study, leaves school, or ceases to carry at least one-half the normal full-time academic load as determined by the participating institution. The Department also makes quarterly interest payments on subsidized FFELP loans that are in an eligible income-driven repayment plan or an eligible deferment status for up to three years. The amount of accrued interest received is reduced by amounts due to the Department for negative special allowance as described below. There is no interest charged on MOFELP loans.

Allowance for Doubtful Amounts

Allowance for doubtful amounts are estimates of probable losses incurred in the FFELP, MOFELP, and supplemental loan portfolios at the statement of net position dates. Estimated probable losses are expensed through the provision for loan losses in the period that the loss event occurs. Estimated probable losses contemplate expected recoveries. When a charge-off event occurs, the carrying value of the loan is charged to the allowance for doubtful loans. The amount attributable to expected recoveries remains in the allowance for doubtful loans until received.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Supplemental Loans

The supplemental loans in the portfolio present a greater risk of loan loss because the loans are either self-insured or insured by a third party as opposed to FFELP loans, which are insured by the Department. As such, in evaluating the adequacy of the allowance for doubtful loans on the supplemental loan portfolio, several factors are considered, including the loan's insured status, whether the loan was provided to a graduate or undergraduate student, and the age of the receivable.

Estimates of inherent loss default rates in the supplemental loan portfolio are a percentage of the original disbursed principal balance. The growth rates of the default rate over the prior years are also computed. Then, the segmented portfolio is analyzed to determine if the loans require a reserve for additional probable losses. Reserve adjustments are modeled to adjust for insured loans, loans with collection agencies, loans with judgments, and loans that have emerged from bankruptcy or have had a loan modification. Loans with judgments or modifications with recently ended forbearances are also evaluated for reserve adjustments. Insured loans are guaranteed at 95%; therefore, all insured loans are analyzed separately from the uninsured supplemental loan portfolio. Supplemental loan principal is charged off against the allowance when the loan exceeds 270 days delinquent. Subsequent recoveries on loans charged off are recorded directly to the allowance based on the total principal outstanding.

The allowance associated with the accrued interest on supplemental loans is calculated in a manner that is consistent with the method used to calculate the allowance for doubtful loans on the supplemental loan portfolio as described above.

FFELP Loans

The methodology for estimating the allowance for loan losses in the FFELP portfolio incorporates both quantitative and qualitative factors. Historical data on defaults and write-offs experienced are utilized to project inherent losses that have occurred in the FFELP portfolio. Estimated defaults are multiplied by a percentage, consisting of the weighted-average non-guarantee rate adjusted for trending, to determine the allowance for loan losses required on the outstanding principal balances of FFELP loans. Because accrued interest receivable on FFELP loans is insured at the same percentages as the related principal on those loans, the reserve percentage on FFELP principal is applied to the accrued interest on FFELP loans to determine the estimated allowance for accrued interest receivable.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

MOFELP Loans

The MOFELP loans in the portfolio present a greater risk of default because the loans are self-insured and disbursed to borrowers that have demonstrated financial need and do not require minimum credit requirements. The methodology for estimating the allowance for loan losses in the MOFELP portfolio balance is based on historical data on defaults and aging of the receivable. Additionally, a MOFELP loan is charged off against the allowance when the loan exceeds 270 days delinquent.

Miscellaneous Receivables and Prepaid Expenses

At June 30, 2026 and 2025, miscellaneous receivables and prepaid expenses consist of the following:

	2026	2025
Other prepaid expenses	\$ 5,606	\$ 5,543
Other receivables	1,353	875
Total miscellaneous receivables and prepaid expenses	<u>\$ 6,959</u>	<u>\$ 6,418</u>
Current portion	\$ 6,894	\$ 6,385
Long-term portion	65	33
Total	<u>\$ 6,959</u>	<u>\$ 6,418</u>

Pension

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Higher Education Loan Authority of the State of Missouri Pension Plan (the Pension Plan), the Supplemental Pension Plan (SERP), and additions to/deductions from the Pension Plan's and SERP's fiduciary net position have been determined on the same basis as they are reported. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets consist of land, buildings and improvements, office furniture and equipment, software assets, and right to use assets. The policy is to capitalize all assets purchased with an initial individual cost of \$10 or more and an estimated useful life of more than one year. Capital assets are reported at cost, net of accumulated depreciation and amortization, and net of estimated impairments, if any. Capital assets are reviewed for impairment in accordance with GASB Codification section 1400, *Reporting Capital Assets*. Depreciation is charged to operations on the straight-line method over the estimated useful lives of the related assets as follows:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Buildings and improvements	3 – 30 years
Furniture and equipment	3 – 10 years
Software assets	3 – 10 years
Right to use assets	2 – 10 years

Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period. As of June 30, 2026 and 2025, recorded deferred outflows of resources related to pension in the amounts of \$10,161 and \$16,783 respectively, for the Pension Plan and \$137 and \$180 respectively, for the SERP, are a result of a net difference between projected and actual earnings on pension plan investments. The Company also reports deferred amounts related to Computer Services of \$2,100 and \$0 as of June 30, 2026 and 2025, respectively.

Special Allowance Subsidy Receivable/Payable

The Company as a loan owner does not necessarily earn what a borrower pays. The Department provides a special allowance to student loan owners participating in FFELP. Special allowance was designed to ensure loan owners earn a market rate of interest by making up the difference between what a borrower pays in interest (borrower rate) under federal law and what a loan owner earns (lender yield) on the loan under federal law. On December 23, 2011, The Consolidation Appropriation Act of 2012 was signed into law, which, in part, allowed FFELP loan holders to elect to substitute one-month LIBOR for the 90-day AA Financial Commercial Paper (90-day CP) rate for the special allowance program (SAP) index. This was a one-time opportunity, and the election was made as required. All owned FFELP loans disbursed after January 1, 2000 are

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

indexed to one-month LIBOR. In July 2023, the Company transitioned from one-month LIBOR to one-month CME SOFR plus a tenor spread adjustment of 0.11448%.

The special allowance amount is the result of applying a percentage, based upon the average bond equivalent rates of the one-month CME Term SOFR or 90-day CP, to the average daily unpaid principal balance and capitalized interest of the student loans. For loans first disbursed prior to January 1, 2000, the 91-day Treasury bill rate is used rather than the one-month CME Term SOFR or 90-day CP rates. The special allowance is accrued as earned or payable.

Borrower interest rates for Stafford and Parent Loans for Undergraduate Students (PLUS) loans first disbursed between July 1, 1998 and June 30, 2006 were variable rates set annually based on the 91-day Treasury bill plus a spread between 1.70% and 3.10%. Lender yields on many of those same loans (loans first disbursed between January 1, 2000 and April 1, 2006) adjust quarterly based on the one-month CME Term SOFR plus a spread; however, the borrower rate serves as the “floor” for the lender yield. Loans first disbursed in these time periods can only earn positive special allowance due to the “floor” income feature. For loans first disbursed after April 1, 2006, federal law changed, removing the “floor” income feature, which allows the lender yield to float down below the borrower rate. In these situations, the loan owner earns less than the borrower pays in interest causing negative special allowance, which must be rebated to the Department. This situation was magnified by additional changes in federal law that implemented fixed borrower interest rates from 6.8% to 8.5% for loans first disbursed after July 1, 2006. Furthermore, for loans first disbursed after October 1, 2007, the lender’s spread over the 90-day CP rate was reduced by 0.40% to 0.70%. The 90-day CP rate was later converted to one-month LIBOR and subsequently converted to CME Term SOFR plus a tenor spread adjustment of 0.11448%. Total net special allowance became positive in fiscal year 2023, due to the loan portfolio mix and the increase in the rate of one-month LIBOR.

Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. As of June 30, 2026 and 2025, deferred inflows of resources related to pension are \$20,366 and \$12,605, respectively, for the Pension Plan and \$422 and \$441, respectively, for the SERP, which are a result of differences between expected and actual experience. The Company also reports deferred amounts related to leases of \$0 and \$81 as of June 30, 2026 and 2025, respectively.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Leases

The Company is a lessee for noncancelable leases of office space and equipment. The Company recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Company recognizes the lease liability with an initial, individual value of \$10 or more.

At the commencement of a lease, the Company initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for any lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its estimated life.

The Company generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments.

The Company monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with other liabilities on the statements of net position.

Subscription-Based Information Technology Arrangements (SBITA)

GASB 96 provides guidance on the accounting and financial reporting for SBITAs for government end users. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, or an intangible assets, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITA. To the extent relevant, the standards for SBITA are based on the standards established for leases.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Other Liabilities

At June 30, 2026 and 2025, other liabilities consist of the following:

	2026	2025
Leases and SBITA right-to-use payables	\$ 17,629	\$ 21,174
Compensated absences	8,329	7,399
Other	4,864	6,737
Total other liabilities	<u>30,822</u>	<u>35,310</u>
Current portion	\$ 20,070	\$ 21,195
Long-term portion	10,752	14,115
Total	<u>\$ 30,822</u>	<u>\$ 35,310</u>

Net Position

Net position is classified into three components: net investment in capital assets, restricted for debt service, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any liabilities attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on the use of net position are externally imposed by outside parties. Restricted net position consists of the minimum collateral requirements discussed in Note 6, net of related liabilities, as defined in the bond resolutions. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position includes net position and deferred outflows of resources and deferred inflows of resources that do not meet the definition of either “net investment in capital assets” or “restricted.” Unrestricted net position includes that which is available for the operations or above the minimum collateral level required by the Bond Fund in which it is maintained. Removal of unrestricted net position from the Bond Funds is typically subject to the approval of one or more of the following: credit rating agencies, bond insurers, bondholders, and the trustee. Furthermore, extensive financial analysis is required and performed in conjunction with the approving party prior to the approval and removal of net position.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses. Operating revenues include interest earned on student loans the Company owns as these relate to operations of the Company. Interest subsidy, special allowance payments, and consolidated rebate fees are also considered operating as these relate to FFELP and a contractual relationship exists between the borrower and the Department.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available for use, it is the policy to first apply expense to restricted resources, then unrestricted resources.

Noncapital Subsidies

Resources provided to another party for which the other party does not provide goods or services.

Servicing Fee Revenue

Servicing is provided for federal accounts owned by the Department under the USDS and Direct Loan Program and student loans owned by third-party lending institutions. Fees charged for these services are classified as servicing fees in the statement of revenues, expenses, and changes in net position and are recognized as the services are performed.

Interest Expense

Interest expense primarily includes interest accrued on bonds and other borrowings, as well as broker dealer fees.

Consolidation Rebate Fees

The Company must remit a rebate fee for all federal consolidation loans made on or after October 1, 1993 to the Department on a monthly basis. This fee is equal to 1.05% per annum of the unpaid principal balance and accrued interest on the loans. For loans made from applications received during the period beginning October 1, 1998 through January 31, 1999, inclusive, this fee is equal to 0.62% per annum of the unpaid principal and accrued interest on the loans. This fee is not and cannot be charged to the borrower.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Risk Management

Coverage for exposure to various risks of loss, including property loss, torts, cyber liability, errors and omissions, and employee injuries is obtained through commercial insurance, which is purchased in amounts that are sufficient to cover the risk of loss. There has been no significant reduction in insurance coverage from coverage in the prior year for all categories of risk. Settlements have not exceeded insurance coverage for the past three fiscal years.

An estimated loss related to a loss contingency would be recorded as an expense and a liability if the following requirements are met: (1) information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and (2) the amount of the loss can be reasonably estimated.

Income Taxes

The Company is a tax-exempt organization under the provisions of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements.

New Accounting Pronouncements

Effective for the year ended June 30, 2026, the Company implemented GASB issued Statement No. 103, Financial Reporting Model Improvements. This Statement defines nonoperating revenues and expenses as (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses. Operating revenues and expenses are items that don't meet the definition of nonoperating revenues and expenses. This statement also requires captions, subtotals and totals, including a new noncapital subsidy section.

Effective for the year ended June 30, 2026, the Company implemented GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. This Statement also requires additional disclosures for capital assets held for sale.

Certain amounts presented in the financial statements in the prior year have been reclassified to conform with the new accounting pronouncements.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments

Cash and investments held by the Company's pension plan are discussed in Note 9 and are excluded from the discussion in this section.

State law limits investments of the Company to any obligations of the State of Missouri, the U.S. government, or any instrumentality thereof; certificates of deposit or time deposits of federally insured banks, federally insured savings and loan associations, or insured credit unions; and, with respect to moneys pledged or held under a trust estate or otherwise available for the owners of bonds or other forms of indebtedness, any investment authorized under the bond resolution governing the security of payment of such obligations or repurchase agreements for the specified investments.

In addition, the Foundation is authorized to invest in equity securities and certain alternative investments including hedge funds, managed futures funds, commodities, private equity funds, and REITs, as specified in the Foundation's investment policy. The Foundation may also invest in derivatives and structured products with approval from the Foundation's Board.

While the bond investment provisions vary by trust estate, allowable investments generally include U.S. Treasury obligations and certain of the following based on maturity and rating: U.S. government agency and sponsored agency obligations, bank deposits, repurchase agreements, reverse repurchase agreements, investment agreements, guaranteed investment contracts, money market funds, commercial paper, and tax-exempt bonds.

At June 30, 2026 and 2025, cash, cash equivalent, and investment balances consisted of the following:

	<u>2026</u>	<u>2025</u>
Cash on deposit	\$ 145,081	\$ 168,354
Investments	197,105	178,627
Money market mutual funds	12,113	14,171
Total cash, cash equivalents, and investments	<u>\$ 354,299</u>	<u>\$ 361,152</u>

The following special trust accounts have been established for the LIBOR/SOFR floating and fixed rate notes issued under the 2021-1 and 2021-2 Trusts:

Collection Funds – The Collection Funds are used to (a) account for receipt of borrower payments, (b) receive investment income, (c) pay servicing and administration fees,

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments (continued)

consolidation rebate fees, and trustee fees, (d) make principal and interest payments on the bonds, and (e) reinstate the Reserve Funds and the Rebate Funds as required.

Reserve Funds – Under the terms of certain bond provisions, minimum amounts are required to be maintained in the Reserve Funds for each related bond issue. The total of these minimum requirements at June 30, 2026 and 2025 were \$1,978 and \$2,115, respectively.

Department Rebate Funds – The Department Rebate Funds are used to pay negative special allowance.

As of June 30, 2026 and 2025, cash, cash equivalents, and investments were segregated as follows:

	<u>2026</u>	<u>2025</u>
Special trust accounts:		
Restricted:		
Collection funds	\$ 4,135	\$ 6,056
Reserve funds	1,978	2,115
Department rebate funds	-	-
Capitalized interest funds	6,000	6,000
Total special trust accounts	<u>12,113</u>	<u>14,171</u>
Operating fund:		
Unrestricted – undesignated	216,005	197,213
Unrestricted – board and management designated	18,677	1,140
Restricted – due to special trust accounts and clients	107,504	148,628
Total operating fund	<u>342,186</u>	<u>346,981</u>
Total cash, cash equivalents, and investments	<u>\$ 354,299</u>	<u>\$ 361,152</u>

As of June 30, 2026, the Company's board has designated \$10,000 for operating reserve and management, \$5,000 to fund payroll, \$2,300 to fund the self insurance, and \$1,377 for the Commerce Loan Reserve. As of June 30, 2025, the Company's board designated \$1,140 for the Commerce Loan Reserve.

Money market mutual funds and commercial paper are reported at fair value. Categories of fair value measurements within the fair value hierarchy are established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments (continued)

As of June 30, 2026, the trading portfolio has the following recurring fair value measurements.

Investments by Fair Value Level	6/30/2026	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Money market funds	\$ 13,444	\$ 13,444	\$ -	\$ -
Equity mutual fund investments				
Domestic equity mutual funds	101,666	101,666	-	-
International equity mutual funds	28,898	28,898	-	-
Total equity mutual fund investments	\$ 130,564	\$ 130,564	\$ -	\$ -
Fixed income				
Mortgage-backed securities	\$ 10,578	\$ -	\$ 10,578	\$ -
Corporate bonds	16,512	-	16,512	-
U.S. Treasury securities	7,699	7,699	-	-
Federal agencies	306	-	306	-
Asset-backed securities	22	-	22	-
Taxable municipal bonds	2,811	-	2,811	-
Diversified taxable mutual funds	7,203	7,203	-	-
Domestic preferred stock	-	-	-	-
Emerging markets	-	-	-	-
Tax-exempt revenue bonds	47	47	-	-
Total fixed income	\$ 45,178	\$ 14,949	\$ 30,229	\$ -
Other	\$ 200	\$ -	\$ -	\$ 200
Total investments measured at fair value	\$ 189,386			

In addition, the table above excludes \$7,719 of alternative investments valued at Net Asset Value (NAV).

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments (continued)

As of June 30, 2025, the trading portfolio has the following recurring fair value measurements.

Investments by Fair Value Level	6/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Money market funds	\$ 8,060	\$ 8,060	\$ -	\$ -
Equity mutual fund investments				
Domestic equity mutual funds	96,355	96,355	-	-
International equity mutual funds	24,884	24,884	-	-
Total equity mutual fund investments	\$ 121,239	\$ 121,239	\$ -	\$ -
Fixed income				
Mortgage-backed securities	\$ 9,454	\$ -	\$ 9,454	\$ -
Corporate bonds	14,471	-	14,471	-
U.S. Treasury securities	7,025	7,025	-	-
Federal agencies	-	-	-	-
Asset-backed securities	2,175	-	2,175	-
Taxable municipal bonds	2,203	-	2,203	-
Diversified taxable mutual funds	4,733	4,733	-	-
Domestic preferred stock	963	-	963	-
Emerging markets	2,353	-	2,353	-
Tax-exempt revenue bonds	45	45	-	-
Total fixed income	\$ 43,422	\$ 11,803	\$ 31,619	\$ -
Other	\$ 200	\$ -	\$ -	\$ 200
Total investments measured at fair value	<u>\$ 172,921</u>			

In addition, the table above excludes \$5,706 of alternative investments valued at Net Asset Value.

Debt and equity mutual fund securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Level 3 inputs are classified as unobservable as there are no relevant observable inputs available.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments (continued)

Custodial Credit Risk – Deposits – For a deposit, custodial credit risk is the risk that in the event of a bank failure, deposits may be lost. As it relates to cash deposits, the policy is that deposits should either be insured or collateralized with investments that are permissible under state statutes. At June 30, 2026 and 2025, these cash deposits were fully insured by Federal Deposit Insurance Corporation (FDIC) insurance, secured by a Letter of Credit issued by The Bank of New York Mellon or pledged collateral held at the Federal Reserve in the name of the Company. The Foundation does not have a policy addressing custodial credit risk for deposits. As of June 30, 2026 and 2025, \$1,558 and \$1,081 of the total \$145,081 and \$168,354 in cash is uninsured and uncollateralized, respectively.

Custodial Credit Risk – Investments – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, recovery may not be made of the value of its investments or collateral securities that are in the possession of an outside party. There is no policy addressing custodial credit risk for investments. At June 30, 2026 and 2025, \$197,105 and \$178,627 in investments is uninsured and uncollateralized, respectively.

Interest Rate Risk and Credit Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair value as a result of future changes in interest rates. Debt securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain debt securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. Although there are no formal policies addressing interest rate risk and credit risk, limitations on investment maturities and credit ratings are specified in each of the bond documents. These investment provisions vary by trust estate. At June 30, 2026 and 2025, investments in money market mutual funds held by the trustee had credit ratings of AAA and maturities of less than one year.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments (continued)

Investment Type	As of June 30, 2026	Maturity Date
Mortgage-backed securities	\$ 10,578	September 16, 2061
Corporate bonds	16,512	March 15, 2077
U.S. Treasury securities	7,699	November 15, 2051
Federal agencies	306	May 15, 2035
Asset-backed securities	22	January 25, 2035
Taxable municipal bonds	2,811	June 1, 2044
Diversified taxable mutual funds	7,203	N/A
Domestic preferred stock	-	
Emerging markets	-	
Tax-exempt revenue bonds	47	December 1, 2033
Total	<u>\$ 45,178</u>	

Investment Type	As of June 30, 2025	Maturity Date
Mortgage-backed securities	\$ 9,454	September 16, 2061
Corporate bonds	14,471	March 15, 2077
U.S. Treasury securities	7,025	August 15, 2051
Federal agencies	-	
Asset-backed securities	2,175	January 25, 2035
Taxable municipal bonds	2,203	June 1, 2044
Diversified taxable mutual funds	4,733	N/A
Domestic preferred stock	963	N/A
Emerging markets	2,353	N/A
Tax-exempt revenue bonds	45	December 1, 2033
	<u>\$ 43,422</u>	

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments (continued)

Based on the investment ratings, credit risk exposure as of June 30, 2026 and 2025 is as follows:

Investment Type	Rating as of June 30, 2026							
		Exchange Traded	AAA	Aa	A	Baa/BBB	Not Rated	Agency
Money market funds	\$ 13,444	\$ -	\$ 13,444	\$ -	\$ -	\$ -	\$ -	\$ -
Equity mutual fund investments								
Domestic equity mutual funds	101,666	101,666	-	-	-	-	-	-
International equity mutual funds	28,898	28,898	-	-	-	-	-	-
Total equity mutual fund investments	\$ 130,564	\$ 130,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed income								
Mortgage-backed securities	\$ 10,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,578
Corporate bonds	16,512	-	-	1,211	10,328	4,973	-	-
U.S. Treasury securities	7,699	-	-	-	-	-	-	7,699
Taxable municipal bonds	2,811	-	-	2,129	582	100	-	-
Federal agencies	306	-	-	306	-	-	-	-
Asset-backed securities	22	-	-	22	-	-	-	-
Diversified taxable mutual funds	7,203	7,203	-	-	-	-	-	-
Domestic preferred stock	-	-	-	-	-	-	-	-
Emerging markets	-	-	-	-	-	-	-	-
Tax-exempt revenue bonds	47	-	-	47	-	-	-	-
Total fixed income	\$ 45,178	\$ 7,203	\$ -	\$ 3,715	\$ 10,910	\$ 5,073	\$ -	\$ 18,277
Alternative investments								
Hedge funds	\$ 6,649	\$ 6,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	1,070	1,070	-	-	-	-	-	-
Total alternative investments	\$ 7,719	\$ 7,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -
Total investments	\$ 197,105	\$ 145,486	\$ 13,444	\$ 3,715	\$ 10,910	\$ 5,073	\$ 200	\$ 18,277

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments (continued)

Rating as of June 30, 2025

Investment Type		Exchange Traded	AAA	Aa	A	Baa/BBB	Not Rated	Agency
Money market funds	\$ 8,060	\$ -	\$ 8,060	\$ -	\$ -	\$ -	\$ -	\$ -
Equity mutual fund investments								
Domestic equity mutual funds	96,355	96,355	-	-	-	-	-	-
International equity mutual funds	24,884	24,884	-	-	-	-	-	-
Total equity mutual fund investments	\$ 121,239	\$ 121,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed income								
Mortgage-backed securities	\$ 9,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,454
Corporate bonds	14,471	-	-	1,163	8,831	4,375	-	102
U.S. Treasury securities	7,025	-	-	-	-	-	-	7,025
Taxable municipal bonds	2,203	-	-	1,583	620	-	-	-
Federal agencies	-	-	-	-	-	-	-	-
Asset-backed securities	2,175	-	2,145	30	-	-	-	-
Diversified taxable mutual funds	4,733	4,733	-	-	-	-	-	-
Domestic preferred stock	963	963	-	-	-	-	-	-
Emerging markets	2,353	2,353	-	-	-	-	-	-
Tax-exempt revenue bonds	45	-	-	45	-	-	-	-
Total fixed income	\$ 43,422	\$ 8,049	\$ 2,145	\$ 2,821	\$ 9,451	\$ 4,375	\$ -	\$ 16,581
Alternative investments								
Hedge funds	\$ 4,884	\$ 4,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	822	822	-	-	-	-	-	-
Total alternative investments	\$ 5,706	\$ 5,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -
Total investments	\$ 178,627	\$ 134,994	\$ 10,205	\$ 2,821	\$ 9,451	\$ 4,375	\$ 200	\$ 16,581

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

3. Cash, Cash Equivalents, and Investments (continued)

Concentration of Credit Risk – There is no limit placed on the amount that may be invested in any one issuer. Concentration of credit risk is required to be disclosed for any investment in any one issue that represents 5.00% or more of total investments.

At June 30, 2026 and 2025, investments in the following exceeded 5.00% of the total \$197,105 and \$178,627 unrestricted investments respectively:

	% of Total Investment 2026
Financial Square Tr Government Fund	6.82%
Fidelity Small Cap Growth Index Fund	5.07%
Nuveen Large Cap Growth Index Fund-R6 #7292	19.90%
Nuveen Large Cap Value Index Fund-R6	9.75%
Schwab Fundamental US Large Company Index Fund	8.22%
Fidelity International Index Fund-Inst Prm	5.61%
Nuveen International Equity Index Fund-R6 #7295	6.14%

	% of Total Investment 2025
Nuveen Large Cap Growth Index Fund-R6 #7292	22.24%
Nuveen Large Cap Value Index Fund-R6	9.67%
Schwab Fundamental US Large Company Index Fund	9.23%
Nuveen International Equity Index Fund-R6 #7295	10.86%

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

4. Student Loans Receivable

Upon default, unpaid principal and accrued interest on FFELP student loans receivable are guaranteed by the federal government at the following rates:

<u>Disbursement Date of Loan</u>	<u>Guarantee Percentage</u>
Prior to October 1, 1993	100%
October 1, 1993 – June 30, 2006	98%
On or after July 1, 2006	97%

Unpaid principal and accrued interest on FFELP student loans are also guaranteed at 100% in the event of bankruptcy, death, or discharge.

Supplemental loans receivable are not federally insured. The Company purchased insurance from a third party on a portion of the supplemental loan portfolio, which insures 95% of the unpaid principal and accrued interest upon default.

Credit deteriorated loans have been purchased from third party originators and are not insured. Credit deteriorated loans present a greater risk of loan loss because the loans have already demonstrated major distress as they have already defaulted with other lenders. Purchased credit deteriorated loans do not provide for an allowance for doubtful accounts; rather, the loans are stated at cost and are accreted to the present value of expected future cash flows. Expected future cash flows are estimated as a percentage of the outstanding par balance. For the year ended June 30, 2026 and 2025, accretion income was \$1,314 and \$1,314, respectively, which is included in “Interest on student loans, net” in the financial statements.

MOFELP is an interest free, private student loan program. It is designed to provide borrowing options for Missouri students who may not meet the traditional credit requirements for private loans.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

4. Student Loans Receivable (continued)

Student loans receivable at June 30, 2026 and 2025 are as follows:

	<u>2026</u>	<u>2025</u>
Guaranteed FFELP loans	\$ 358,217	\$ 396,141
Supplemental loans:		
Third-party insured	152	175
Self-insured	<u>10,636</u>	<u>13,843</u>
Total supplemental loans	<u>10,788</u>	<u>14,018</u>
Credit deteriorated loans	16,957	17,804
MOFELP	26,786	30,129
Allowance for doubtful loans	<u>(5,969)</u>	<u>(6,534)</u>
Total student loans receivable	<u>\$ 406,779</u>	<u>\$ 451,558</u>
Weighted-average interest rate – end of year	5.72%	5.86%

The yield on federal student loans receivable is set by federal law and is generally variable based on the one-month SOFR, or 91-day Treasury bill rates, plus a factor.

These yields are based on the type of loan, the date of loan origination, and, in some cases, the method of financing. Consolidation loans, Stafford loans, and PLUS loans originated after July 1, 2006 have a fixed rate for the borrower. The yield on supplemental loans is a variable rate, based on either the Treasury bill or the prime rate, plus a factor, depending on when the loan originated and the creditworthiness of the borrower and co-signor.

The activity for the allowance for doubtful loans for the years ended June 30, 2026 and 2025 are as follows:

	<u>2026</u>	<u>2025</u>
Beginning balance	\$ 6,534	\$ 8,280
Provision (Benefit) for loan loss	1,567	(529)
Net reinstatement/(write-offs)	<u>(2,132)</u>	<u>(1,217)</u>
Ending balance	<u>\$ 5,969</u>	<u>\$ 6,534</u>

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

5. Capital Assets

Capital asset activity for the year ended June 30, 2026, is as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 4,069	\$ –	\$ –	\$ –	\$ 4,069
Construction in progress	2,673	1,486	(33)	(4,076)	50
Depreciable capital assets:					
Buildings and improvements	24,203	–	–	–	24,203
Furniture and equipment	19,883	289	(138)	411	20,445
Software assets	4,986	22	–	3,665	8,673
Lease assets					
Buildings and improvements	6,509	634	(682)	–	6,461
Software assets	2,478	1,292	–	–	3,770
Subscription assets	16,206	1,843	(162)	–	17,887
Total depreciable capital assets	74,265	4,080	(982)	4,076	81,439
Less accumulated depreciation and amortization:					
Buildings and improvements	(13,852)	(936)	–	–	(14,788)
Furniture and equipment	(16,024)	(1,129)	135	–	(17,018)
Software assets	(1,706)	(1,011)	–	–	(2,717)
Lease assets					
Buildings and improvements	(2,182)	(1,717)	682	–	(3,217)
Software assets	(368)	(903)	–	–	(1,271)
Subscription assets	(4,344)	(6,537)	162	–	(10,719)
Total accumulated depreciation and amortization	(38,476)	(12,233)	979	–	(49,730)
Net depreciable capital assets	35,789	(8,153)	(3)	4,076	31,709
Total capital assets, net	\$ 42,531	\$ (6,667)	\$ (36)	\$ –	\$ 35,828

Included in capital assets are buildings that are capital assets held for sale. They have a total historical cost of \$0.7 million and \$8.8 million, respectively, and an accumulated depreciation of \$0.1 million and \$3.6 million, respectively, as of June 30, 2026. The Columbia building is pledged as collateral for debt with a balance of \$4.0 million.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

5. Capital Assets (continued)

Capital asset activity for the year ended June 30, 2025, is as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 4,069	\$ —	\$ —	\$ —	\$ 4,069
Construction in progress	2,124	7,669	—	(7,120)	2,673
Depreciable capital assets:					
Buildings and improvements	24,187	—	—	16	24,203
Furniture and equipment	16,523	1,585	—	1,775	19,883
Software assets	2,713	17	—	2,256	4,986
Lease assets					
Buildings and improvements	681	5,828	—	—	6,509
Software assets	—	2,253	—	225	2,478
Subscription assets	8,050	10,966	(5,658)	2,848	16,206
Total depreciable capital assets	52,154	20,649	(5,658)	7,120	74,265
Less accumulated depreciation and amortization:					
Buildings and improvements	(12,918)	(934)	—	—	(13,852)
Furniture and equipment	(15,085)	(939)	—	—	(16,024)
Software assets	(1,230)	(476)	—	—	(1,706)
Lease assets					
Buildings and improvements	(488)	(1,694)	—	—	(2,182)
Software assets	—	(368)	—	—	(368)
Subscription assets	(1,514)	(4,716)	1,886	—	(4,344)
Total accumulated depreciation and amortization	(31,235)	(9,127)	1,886	—	(38,476)
Net depreciable capital assets	20,919	11,522	(3,772)	7,120	35,789
Total capital assets, net	\$ 27,112	\$ 19,191	\$ (3,772)	\$ —	\$ 42,531

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

6. Financings

The following table displays the aggregate changes in bonds payable and note payable from direct borrowing for the year ended June 30, 2026:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Student Loan Revenue Bonds:					
SOFR and Fixed Rate Notes, taxable, due January 2061 – March 2061, with interest rates ranging from 1.530% – 5.283% at June 30, 2026	\$ 394,135	\$ –	\$ (40,300)	\$ 353,835	\$ 36,670
Total Bonds Payable, net	\$ 394,135	\$ –	\$ (40,300)	\$ 353,835	\$ 36,670
Note Payable from Direct Borrowing, taxable, due March 2027, with one-month CME Term SOFR +2.10% of 5.736% at June 30, 2026	\$ 5,493	\$ –	\$ (1,465)	\$ 4,028	\$ 4,028
Total	\$ 399,628	\$ –	\$ (41,765)	\$ 357,863	\$ 40,698

In March 2025, the Company refinanced the note payable from a one-month CME Term SOFR plus 1.85% to one month CME Term SOFR plus 2.10% with a maturity date of March 2026. In March 2026, the Company extended the note payable with the same terms maturing in March 2027.

Reductions in SOFR and fixed rate notes consisted of regular payments.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

6. Financings (continued)

The following table displays the aggregate changes in bonds payable and note payable from direct borrowing for the year ended June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Student Loan Revenue Bonds:					
SOFR and Fixed Rate Notes, taxable, due January 2061 – March 2061, with interest rates ranging from 1.530% – 5.954% at June 30, 2025	\$ 577,829	\$ –	\$ (183,694)	\$ 394,135	\$ 34,879
Total Bonds Payable, net	\$ 577,829	\$ –	\$ (183,694)	\$ 394,135	\$ 34,879
Note Payable from Direct Borrowing, taxable, due March 2026, with one-month CME Term SOFR +2.10% of 6.414% at June 30, 2025	\$ 6,957	\$ –	\$ (1,464)	\$ 5,493	\$ 5,493
Total	\$ 584,786	\$ –	\$ (185,158)	\$ 399,628	\$ 40,372

SOFR and Fixed Rate Notes

At June 30, 2026 and 2025, SOFR and fixed rate notes represented 100% of total outstanding bonds payable. The SOFR note trusts reprice every month at rates equal to one-month SOFR plus a spread ranging from 0.70% to 1.52%. There is a fixed rate component which is 1.53% and 1.97% for bond 2021-1 and 2021-2, respectively. Principal payments are required to be made monthly based on available funds collected less required fees and transfers as stipulated in the bond document.

Certain bonds are subject to redemption or rate period adjustment at the discretion of the Company under certain conditions as set forth in the bond agreements.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

6. Financings (continued)

Bonds of each series are secured by (a) a pledge of proceeds derived from the sale of the bonds, (b) eligible loans, and (c) certain accounts established by the respective bond resolutions, including moneys and securities therein. The bond agreements contain certain covenants that, among other requirements, include maintaining minimum collateral levels. The Company maintains a minimum amount of assets pledged to meet the collateral requirements specified in the various bond resolutions. The total of all minimum requirements for all bond issuances at June 30, 2026 and 2025 was \$406,066 and \$448,873, respectively.

The events of default for the Company Trust Indentures include (i) default in punctual interest payment continuing for 5 days; (ii) default in punctual principal payment on the final maturity date; (iii) default in the performance or observance of any other covenants, agreements or conditions of the indenture and continuation of such default for a period of 90 days after written notice by the Trustee to the Company; and (iv) the occurrence of an event of bankruptcy. In the event of default except for (iii) above, the Trustee may at the written direction of the registered owners of at least the majority of the aggregate principal amount of the notes outstanding, take Possession of the Trust Estate and all property of the Trust Estate, conduct the Issuer's business, and collect and receive all charges, income and revenues and after deducting reasonable compensation for its own services will apply the residue as follows: First, to the Department, any department rebate interest amount and monthly rebate fee due; second, to the Trustee, any fees and costs due; third, to each Servicer and the Administrator, any servicing fee and senior administration fee due; fourth, to Class A Noteholders, any unpaid interest due; fifth, to Class A Noteholder, any unpaid principal amounts due; sixth, to Class B Noteholders, any unpaid interest due; seventh, to Class B Noteholders, any unpaid principal amounts due; and eighth, to the Company any remaining balance. If in the event of default, and if the principal of all the outstanding notes have been declared immediately due and payable as under accelerated maturity, then the Trustee may, and, at the written direction of the registered owners of at least the majority of the outstanding amount of the Highest Priority Notes, shall, sell the Trust Estate created under the indenture to the highest bidder. The sale proceeds after deducting expenses will be applied similarly as in Possession of Trust Estate. In the event of default of (i) or (ii) above, the Company upon demand of the Trustee will pay from the Trust Estate, the amount due and payable on such notes for principal and interest along with interest on overdue principal amount, the costs and expenses of collection, and advances of Trustee agents and counsel. If the Company fails to pay, the Trustee may institute a judicial proceeding for the collection of the sums due and unpaid. In the event of default, the Trustee may enforce its rights and the rights of the registered owners of notes by such appropriate judicial proceedings as the Trustee shall deem most effectual.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

6. Financings (continued)

Note Payable from Direct Borrowing

On March 15, 2019, the Company obtained a Direct Borrowing Note Payable from Commerce Bank in the amount of \$13,280. The Note Payable was refinanced March 2024, March 2025, and March 2026 with a maturity date of March 15, 2027. The Company pledged the property and buildings from its Chesterfield and Columbia office locations as collateral for the loan. Events of default include payment default; noncompliance with terms, obligations, covenants or conditions contained in the note or any other agreement between lender and the Company; default in favor of third parties; false statements; insolvency; creditor or forfeiture proceedings; and events affecting guarantor. Lender shall not exercise any remedy for default unless the payment default remains unpaid for 10 days or if any other curable default is not cured within 30 days after written notice of default to the Company. If such default is incapable of cure within 30 days, but the Company has commenced curing within the 30 day period and does not complete within 90 days; except the lender shall not be obligated to make any further advances under any line of credit during the time any payment is past due, or during any cure period, unless and until such default has been cured. As remedy in the event of default the lender may declare the entire unpaid principal balance and accrued unpaid interest immediately due, and then the Company will pay that amount. If the Company does not pay, the lender may hire someone else to collect the note. The Company will pay lender reasonable collection fees including lender's legal expenses and court costs. To the extent permitted by law, the lender has a right of setoff in all the Company's accounts with lender. Upon default the interest rate shall be increased by 3.0 percentage points; however, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

6. Financings (continued)

The following is a summary of debt service requirements at June 30, 2026:

Fiscal Years	SOFR Notes		Note Payable from Direct Borrowing		Total
	Principal	Interest	Principal	Interest	
2027	\$ 36,670	\$ 12,871	\$ 4,028	\$ 334	\$ 53,903
2028	34,434	11,545	-	-	45,979
2029	34,996	10,250	-	-	45,246
2030	34,918	8,946	-	-	43,864
2031	33,313	7,673	-	-	40,986
Total fiscal years 2027-2031	174,331	51,285	4,028	334	229,978
2032 – 2036	98,423	24,634	-	-	123,057
2037 – 2041	34,529	13,177	-	-	47,706
2042 – 2046	14,862	8,890	-	-	23,752
2047 – 2051	17,959	6,419	-	-	24,378
2052 – 2056	4,953	2,770	-	-	7,723
2057 – 2061	8,778	2,042	-	-	10,820
	<u>\$ 353,835</u>	<u>\$ 109,217</u>	<u>\$ 4,028</u>	<u>\$ 334</u>	<u>\$ 467,414</u>

The principal requirements in the table above include the SOFR notes and fixed rate notes that are based on scheduled borrower repayments of the student loans in those trusts and note payable from direct borrowing. The interest requirements in the table above were prepared using the applicable variable rates and fixed rates in effect at June 30, 2026. The debt service requirements presented in the table above may differ significantly from the actual amounts of principal and interest paid in future periods.

At June 30, 2026 and 2025, the Company was in compliance with all financial covenants and requirements of our debt agreements and expects to be in compliance for the next twelve months.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

7. Leases and Subscription-Based Information Technology Agreements

Leases payable

Effective September 1, 2024, the Company entered into a master equipment lease/purchase agreement with a financial institution to purchase and finance equipment, software, and licenses related to the development of a data center and infrastructure. The aggregate principal component shall not exceed \$35 million; the maximum term under any lease shall not exceed 5 years; and the interest rate used to determine the interest component shall not exceed 10%. The taxable interest rate is calculated based on the Swap Index Rate at the time of a draw plus a fixed spread. Interest rates range from 4.4129% to 5.3297%.

Effective July 1, 2024, the Company entered into leases for office space in both Fishers, Indiana and Wilkes Barre, Pennsylvania. Both leases have an interest rate of 5.172% with terms ending June 30, 2027 and July 31, 2029.

The Company also leases office space in Washington, DC as lessee for the right to use the office space. Under the terms of the agreement, the annual base will increase by 2.5%. The lease has an interest rate of 4.242% with terms ending July 31, 2029.

The future principal and interest lease payments as of June 30, 2026, were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2027	\$ 6,953	\$ 578	\$ 7,531
2028	4,978	263	5,241
2029	2,184	66	2,250
2030	16	1	17
Total	<u>\$14,131</u>	<u>\$ 908</u>	<u>\$15,039</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

Asset Class	Lease Asset Value	Accumulated Amortization	Lease Asset Value Net of Amortization
Buildings and improvements	\$ 6,461	\$ 3,217	\$ 3,244
Software assets	3,769	1,272	2,497
Total minimum lease payments	<u>\$ 10,230</u>	<u>\$ 4,489</u>	<u>\$ 5,741</u>

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

7. Leases and Subscription-Based Information Technology Agreements (continued)

Subscription-Based Information Technology Agreements

The Company has entered into various Subscription Based Information Technology Arrangements (SBITA), which requires recognition of certain right-to-use subscription assets – an intangible asset and a corresponding subscription liability, with the exception of short-term SBITAs, at the commencement of the subscription term. The value of the right-to-use assets as of June 30, 2026 and 2025 was \$17,887 and \$16,206, respectively and accumulated amortization was \$10,719 and \$4,344, respectively. As of June 30, 2026 and 2025, the value of the subscription liability was \$3,504 and \$7,413, respectively. The SBITA interest rates are determined based on the Company's weighted average incremental borrowing rate at the commencement of the subscription term.

The following is a schedule of future subscription payments for the liabilities as of June 30, 2026:

Fiscal Year Ended June 30,	Principal	Interest	Total
2027	\$ 3,109	\$ 149	\$ 3,258
2028	395	15	410
Total	<u>\$ 3,504</u>	<u>\$ 164</u>	<u>\$ 3,668</u>

8. Contracts, Commitments, and Contingencies

There are two major contracts and various minor contracts to utilize electronic data processing systems and other computer services. The contracts provide for monthly charges based on the number of student loan accounts serviced or system usage. Charges incurred under these contracts totaled \$36,776 and \$50,410 for the years ended June 30, 2026 and 2025, respectively.

During the year ended June 30, 2025, the Company entered into a line of credit (LOC) with a financial institution not to exceed \$35 million. The LOC is guaranteed by certain assets of the Company. As of June 30, 2026, the outstanding balance of the LOC is \$0.

In the ordinary course of business, governmental agency and regulatory examinations, as well as various claims and lawsuits may occur. While the ultimate outcome of litigation and regulatory examinations cannot be predicted with certainty, management, based on its understanding of the facts, does not believe the ultimate resolution of these matters will have a material adverse effect on the financial position or results of operations.

Participation in FFELP and servicing of federal assets necessitates the compliance with federal program requirements and regulations. Management believes to be in substantial compliance with the requirements of these programs and that the effects of any noncompliance would not be material to the financial statements.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits

401(k) Plan

The 401(k) Plan is a single-employer defined contribution plan, the Higher Education Loan Authority of the State of Missouri 401(k) Plan (the 401(k) Plan), for all employees who are at least 21 years of age, work in excess of 500 hours per plan year, and have been employed at least six months. Investment management and recordkeeping is performed by ADP. Employees may elect to defer 1% to 50% of their total compensation into the 401(k) Plan, not to exceed the limits defined in the 401(k) Plan. The Company contributes an amount equal to 100% of the first 8% contributed by the employee. Employer matching funds are invested in the same fund choices made by the employee and are subject to a five-year vesting schedule. Some employer matching funds are offset by accumulated forfeiture credits. The Company may make a non-matching discretionary contribution to the 401(k) Plan. The amount of this contribution, if any, will be determined by the Company when granted. To be eligible for the contribution, an employee must be credited with at least 1,000 hours of service and be employed on the last day of the 401(k) Plan year. During the fiscal years ended June 30, 2026 and 2025, the Company contributed employer matching funds of \$5,693 and \$5,530 and employees contributed \$7,354 and \$7,213 to the 401(k) Plan, respectively.

Pension Plan

Plan Description

The Company offers a noncontributory single-employer defined benefit pension plan, the Higher Education Loan Authority of the State of Missouri Pension Plan (the Pension Plan), which provides retirement, disability, and death benefits to Pension Plan members and beneficiaries.

Pension Plan provisions were established and may be amended by the Company's Board Members. Substantially all employees of the Company are covered by the Pension Plan. Pension benefits are based upon the employee's length of service, employment status, and average compensation. Employees vest in the Pension Plan after five years of service. The Pension Plan is administered by Commerce Trust Company (Administrator).

The Pension Plan is managed by the Company's Board Members which consists of seven members, five of whom are appointed by the Governor of the State, subject to the advice and consent of the State Senate, and two others who are designated by statute – the State Commissioner of Higher Education and a member of the State Coordinating Board for Higher Education. The five members appointed directly by the Governor serve five-year terms. The Board Members have designated the Assistant Director of Administration and the General Counsel as co-plan administrators. No stand-alone plan report is publicly available.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

Plan Membership and Benefits Provided

Retirement benefits for salaried plan members are calculated as 2.5% of the member's highest 3-year average salary times the member's years of service. Benefits for hourly plan members are calculated as 1.5% of the member's highest 3-year average salary times the member's years of service.

Plan members with 5 years of service are eligible to retire at age 65 and members with 15 years of service are eligible to retire at 60. Members hired prior to July 1, 2017 are eligible for an unreduced retirement benefit after age 50 if the combination of their age and years of service equal at least 80. Members hired after June 30, 2017 are eligible for an unreduced retirement benefit after age 55 if the combination of their age and years of service equal at least 85. Plan members may retire early with a reduced benefit at age 50 with 20 years of service. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable at the member's early retirement date reduced for early commencement and to reflect payment as a 50% joint and survivor annuity.

An annual cost-of-living adjustment is provided to each member receiving a monthly retirement benefit who terminated employment eligible for a retirement benefit or with at least 20 years of service. The annual adjustment is equal to 80% of the increase in the Consumer Price Index, limited to a maximum increase of 5%. The Board Members reserve the right to amend the provisions of the plan. During the year ended June 30, 2017, the Plan was amended. The amendment changed the actuarial assumptions used to determine the value of lump-sum distributions for benefits accrued on or after July 1, 2017 to use a 5.0% interest rate and no assumed cost-of-living adjustment in place of a 30-year Treasury interest rate with an assumed cost-of-living adjustment. During the year ended June 30, 2021, the Plan was amended, effective July 1, 2021, to provide that the applicable interest rate used for lump-sum purposes would not be less than 2.32%. During the year ended June 30, 2024, the Plan was amended to provide that employees hired on or after July 1, 2024 are not eligible to participate in the Plan. During the year ended June 30, 2026, the Plan was amended, effective March 28, 2026, to retain Salaried Participant classification for certain participants who were reclassified as non-exempt as a result of the Company's change in wage and hour classification, provided they remain in the same position held as of that date.

During the year ended June 30, 2026, the Plan was also amended, effective October 1, 2025, to revise the definition of Compensation used for benefit purposes. The amendment changed Compensation to include gross W-2 wages from covered employment while excluding non-cash wages and payments under the Company's Incentive Plan or other incentive compensation plans.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

9. Employee Benefits (continued)

Employees covered by benefit terms

As of June 30, 2026 and 2025, Pension Plan membership consisted of the following:

<u>Pension Plan Membership</u>	<u>6/30/2026</u>	<u>6/30/2025</u>
Inactive plan members (or beneficiaries) currently receiving benefits	22	21
Inactive plan members entitled to but not yet receiving benefits	31	29
Active plan members	409	540
Total	<u>462</u>	<u>590</u>

Contributions

Annual contributions approved by the Board are made based on a recommendation of an independent actuary. For the years ended June 30, 2026 and 2025, the Company made pension contributions of approximately \$2,361 and \$4,148, respectively. The 5-year average contribution rate for the plan year beginning 2021 - 2025 is 21.72% of annual payroll. There are no annual maximum contribution rates. Employees do not make contributions to the Pension Plan.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

Net Pension Liability (Asset)

The net pension liability (asset) was measured as of June 30, 2026. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2025, rolled forward to the Measurement Date using update procedures and the inherent valuation assumptions.

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances at 6/30/2025	\$ 78,353	\$ 87,603	\$ (9,250)
Changes for the year:			
Service Cost	3,321	-	3,321
Interest on the total pension liability	5,142	-	5,142
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,709)	-	(1,709)
Changes of Assumptions	(3,236)	-	(3,236)
Contributions – employer	-	2,361	(2,361)
Investment income	-	15,251	(15,251)
Investment expenses	-	(216)	216
Benefit payments	(7,563)	(7,563)	-
Net changes	(4,045)	9,833	(13,878)
Balances at 6/30/2026	\$ 74,308	\$ 97,436	\$ (23,128)

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

9. Employee Benefits (continued)

The net pension liability (asset) was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2024, rolled forward to the Measurement Date using update procedures and the inherent valuation assumptions.

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balances at 6/30/2024	\$ 77,584	\$ 83,033	\$ (5,449)
Changes for the year:			
Service Cost	4,183	-	4,183
Interest on the total pension liability	5,376	-	5,376
Changes of benefit terms	-	-	-
Differences between expected and actual experience	2,926	-	2,926
Changes of Assumptions	(1,615)	-	(1,615)
Contributions – employer	-	4,148	(4,148)
Investment income	-	10,731	(10,731)
Investment expenses	-	(208)	208
Benefit payments	(10,101)	(10,101)	-
Net changes	769	4,570	(3,801)
Balances at 6/30/2025	\$ 78,353	\$ 87,603	\$ (9,250)

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions:

	<u>2026</u>	<u>2025</u>
Investment rate of return	6.75 percent	6.75 percent
Discount rate	6.75 percent	6.75 percent
Inflation rate	2.75 percent	2.75 percent
Salary scale	3.0 percent for 2025; 3.0 percent for 2026; 4.0 percent thereafter	4.5 percent for 2024; 3.0 percent for 2025; 4.0 percent thereafter
Incentive bonus	N/A	9.6% weighted average beginning October 2026
Lump sum rate	80 percent	75 percent
Actuarial cost method	Entry Age	Entry Age
Valuation date, rolled forward to measurement date	7/1/2025	7/1/2024
Measurement date	6/30/2026	6/30/2025
Mortality table – annuity purposes	PubG-2016 / MP 2021	PubG-2016 / MP 2021
Mortality table – lump sums	Applicable IRS 2026 Lump sum table / MP 2021	Applicable IRS 2025 Lump sum table / MP 2021

Investments and Rate of Return

Pension Plan assets are invested primarily in equity securities, fixed income and cash at the discretion of the Administrator. Those securities are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The investment objective of the Pension Plan is to ensure that assets will be available to meet the Pension Plan's benefit obligations. The long term expected real rate of return on the Pension Plan's assets is based on the anticipated returns for each asset category. At June 30, 2026 the funds were invested 75:21:4 equities to fixed income to cash and at June 30, 2025 the funds were invested 75:23:2 equities to fixed income to cash.

The long term expected rate of return on Pension Plan investments was determined based on 10-year capital market assumptions developed by the Company's investment advisor. The projections

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

for capital markets are provided by the Investment Policy Team, which is comprised of senior investment professionals. The process for setting long-term capital market assumptions involves both quantitative and qualitative analysis. Quantitative analysis considers capital market history back to 1926 (or as far back as history is available, in the case of newer asset classes). Patterns are studied through various economic cycles, evaluating peak-to-peak and trough-to-trough market behavior. By analyzing long-term data, it is better to understand the range of potential future market patterns and avoid some of the traps that can occur with the use of data from shorter time periods. The qualitative analysis involves the evaluation of secular market changes and a forward-looking assessment of possible future market returns. The investment policy team combines this quantitative and qualitative analysis along with a building-blocks approach to forecasting future growth and ultimately arrives at a projection for long-term market returns, risk, and correlations. These capital market assumptions provide the foundation for the strategic asset allocation recommendations.

The target allocations for each major class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap	39.40%	6.2%
Mid Cap	9.60%	7.4%
Small Cap	4.20%	6.2%
Developed International	16.00%	6.4%
Emerging Market Equity	2.80%	8.9%
Core Domestic Fixed Income	24.00%	2.2%
Real Estate	1.00%	5.4%
Cash	3.00%	1.0%
	<u>100.00%</u>	

For the years ended June 30, 2026 and 2025, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 17.83% and 12.98%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The cash flows used as inputs in the calculation are determined on a monthly basis.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

The Pension Plan categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

The Pension Plan has a trading portfolio with the following recurring fair value measurements as of June 30, 2026:

Investments by Fair Value Level	6/30/2026	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market funds	\$ 3,334	\$ 3,334	\$ -
Equity mutual fund investments			
Domestic equity mutual funds	53,428	53,428	-
International equity mutual funds	19,707	19,707	-
Total equity mutual fund investments	\$ 73,135	\$ 73,135	\$ -
Fixed income			
Mortgage-backed securities	\$ 5,757	\$ -	\$ 5,757
Corporate bonds	8,250	-	8,250
U.S Treasury securities	4,015	4,015	-
Federal agencies	203	-	203
Asset backed securities	294	-	294
Taxable municipal bonds	999	-	999
Diversified Taxable Mutual Funds	1,260	-	1,260
Domestic Preferred Stock	-	-	-
Emerging markets	-	-	-
Total fixed income	\$ 20,778	\$ 4,015	\$ 16,763
Total investments measured at fair value	\$ 97,247		

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

9. Employee Benefits (continued)

The Pension Plan has a trading portfolio with the following recurring fair value measurements as of June 30, 2025:

Investments by Fair Value Level	6/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market funds	\$ 1,584	\$ 1,584	\$ -
Equity mutual fund investments			
Domestic equity mutual funds	48,344	48,344	-
International equity mutual funds	17,562	17,562	-
Total equity mutual fund investments	\$ 65,906	\$ 65,906	\$ -
Fixed income			
Mortgage-backed securities	\$ 4,690	\$ -	\$ 4,690
Corporate bonds	7,630	-	7,630
U.S Treasury securities	3,488	3,488	-
Federal agencies	206	-	206
Asset backed securities	1,240	-	1,240
Taxable municipal bonds	1,070	-	1,070
Diversified Taxable Mutual Funds	400	-	400
Domestic Preferred Stock	417	-	417
Emerging markets	803	-	803
Total fixed income	\$ 19,944	\$ 3,488	\$ 16,456
Total investments measured at fair value	\$ 87,434		

Debt mutual funds and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

Custodial Credit Risk – Investments – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Pension Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Plan does not have a policy addressing custodial credit risk for investments. At June 30, 2026 and 2025, the Pension Plan's investments were held by the counterparty's trust department, but not in the Company's or Pension Plan's name.

Interest Rate Risk and Credit Risk – There is not a formal policy addressing interest rate risk or credit risk for the Pension Plan. However, the investment advisor diligently addresses and monitors the pension's interest rate risk and credit risk by maintaining a diversified approach to the pension's asset allocation. The interest rate risk and credit risk of the individual mutual funds that make up the pension are monitored and controlled in a discretionary manner by each individual investment vehicle manager. Each fund/manager utilized in the pension has well-defined risk control limits that are established by the manager of the individual fund. For example, each fixed income mutual fund in the pension has established limits on duration (interest rate risk) and credit quality (credit risk), among limits on other risk metrics. Each fund/manager that it utilized in the pension has passed the investment advisor's due diligence process and is continuously monitored. The understanding by the investment advisor of the risk levels associated with each individual mutual fund allow the investment advisor to control and monitor risk at the portfolio level. This ensures that the portfolio is not taking on excessive or unnecessary interest rate risk or credit risk. The investment advisor provides monthly reporting to the Company and conducts at least semi-annual in person pension reviews with the Company's staff. In addition, the investment advisor timely communicates any significant market events and investment manager changes as appropriate.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

9. Employee Benefits (continued)

Based on the investment ratings, credit risk exposure as of June 30, 2026 and 2025 is as follows:

<u>Rating as of June 30, 2026</u>										
Investment Type		Exchange Traded	AAA	Aa	A	Baa/BBB	BB	Not Rated	Agency	
Money market funds	\$ 3,334	\$ -	\$ 3,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Equity mutual fund investments										
Domestic equity mutual funds	53,428	53,428	-	-	-	-	-	-	-	
International equity mutual funds	19,707	19,707	-	-	-	-	-	-	-	
Total equity mutual fund investments	\$ 73,135	\$ 73,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Fixed income										
Mortgage-backed securities	\$ 5,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,757
Corporate bonds	8,250	-	-	270	5,320	2,490	-	-	-	170
U.S. Treasury securities	4,015	-	-	3,077	-	-	-	-	-	938
Federal agencies	203	-	-	-	-	-	-	-	-	203
Asset backed securities	294	-	294	-	-	-	-	-	-	-
Taxable municipal bonds	999	-	-	681	318	-	-	-	-	-
Diversified Taxable Mutual Funds	1,260	1,260	-	-	-	-	-	-	-	-
Domestic Preferred Stock	-	-	-	-	-	-	-	-	-	-
Emerging markets	-	-	-	-	-	-	-	-	-	-
Total fixed income	\$ 20,778	\$ 1,260	\$ 294	\$ 4,028	\$ 5,638	\$ 2,490	\$ -	\$ -	\$ -	\$ 7,068
Total investments	\$ 97,247	\$ 74,395	\$ 3,628	\$ 4,028	\$ 5,638	\$ 2,490	\$ -	\$ -	\$ -	\$ 7,068

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

Rating as of June 30, 2025

Investment Type		Exchange Traded	AAA	Aa	A	Baa/BBB	BB	Not Rated	Agency
Money market funds	\$ 1,584	\$ -	\$ 1,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity mutual fund investments									
Domestic equity mutual funds	48,344	48,344	-	-	-	-	-	-	-
International equity mutual funds	17,562	17,562	-	-	-	-	-	-	-
Total equity mutual fund investments	\$ 65,906	\$ 65,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed income									
Mortgage-backed securities	\$ 4,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,690
Corporate bonds	7,630	-	-	270	4,725	2,558	-	-	77
U.S. Treasury securities	3,488	-	2,535	-	-	-	-	-	953
Federal agencies	206	-	-	-	-	-	-	-	206
Asset backed securities	1,240	745	495	-	-	-	-	-	-
Taxable municipal bonds	1,070	-	151	606	313	-	-	-	-
Diversified Taxable Mutual Funds	400	400	-	-	-	-	-	-	-
Domestic Preferred Stock	417	417	-	-	-	-	-	-	-
Emerging markets	803	803	-	-	-	-	-	-	-
Total fixed income	\$ 19,944	\$ 2,365	\$ 3,181	\$ 876	\$ 5,038	\$ 2,558	\$ -	\$ -	\$ 5,926
Total investments	\$ 87,434	\$ 68,271	\$ 4,765	\$ 876	\$ 5,038	\$ 2,558	\$ -	\$ -	\$ 5,926

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

Concentration of Credit Risk – No limits are placed in the Pension Plan on the amount that may be invested in any one issuer. Concentration of credit risk is required to be disclosed for any investment in any one issue that represents 5.00% or more of total investments. This concentration of risk is minimal given the diversified nature of the underlying investments of the funds.

At June 30, 2026 and 2025, the Pension Plan investments in the following exceeded 5.00% of the total investments.

	% of Total Investment 2026
Nuveen Large Cap Growth Index Fund-R6 #7292	23.65%
Nuveen Large Cap Value Index Fund-R6	14.57%
Schwab Fundamental US Large Company Index Fund	8.68%
Nuveen International Equity Index Fund-R6 #7295	17.33%

	% of Total Investment 2025
Nuveen Large Cap Growth Index Fund-R6 #7292	24.71%
Nuveen Large Cap Value Index Fund-R6	13.51%
Schwab Fundamental US Large Company Index Fund	8.89%
Nuveen International Equity Index Fund-R6 #7295	17.66%

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

As of June 30, 2026, fixed income investments included: (Duration is in years.)

Investment Type	Fair Value	Duration
Commerce Fixed Income Strategy	\$ 22,897	5.34
Total Fair Value	<u>\$ 22,897</u>	
Duration		<u>5.34</u>

As of June 30, 2025, fixed income investments included: (Duration is in years.)

Investment Type	Fair Value	Duration
Commerce Fixed Income Strategy	\$ 17,840	6.27
Total Fair Value	<u>\$ 17,840</u>	
Duration		<u>6.27</u>

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2026 and 2025 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at 21.72% and 26.28% for June 30, 2026 and 2025, respectively, of covered payroll of current plan members for each year in the future. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

9. Employee Benefits (continued)

The components of the net pension liability (asset) at June 30, 2026 and 2025 were as follows:

	2026	2025
Total Pension Liability	\$ 74,308	\$ 78,353
Plan Fiduciary Net Position	(97,436)	(87,603)
Net Pension (Asset) Liability	\$ (23,128)	\$ (9,250)

Plan Fiduciary Net Position as a percentage of the Total Pension Liability	131.12%	111.81%
--	---------	---------

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset), calculated using the discount rate of 6.75%, as well as the net pension liability (asset) calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability (Asset)			
2026	\$ (13,923)	\$ (23,128)	\$ (30,739)
2025	\$ 933	\$ (9,250)	\$ (17,673)

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Employee Benefits (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2026 and 2025, pension expense of \$2,866 and \$4,815, respectively, was recognized. At June 30, 2026, deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	2026 Deferred Inflows of Resources	2026 Deferred Outflows of Resources
Differences between expected and actual experience	\$ (1,629)	\$ 8,013
Changes of Assumptions	(5,309)	2,148
Net difference between projected and actual earnings on Pension Plan investments	(13,428)	-
	<u>\$ (20,366)</u>	<u>\$ 10,161</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be netted and recognized in pension expense as follows:

Year ending June 30:	
2027	\$(3,078)
2028	(2,550)
2029	(2,668)
2030	(1,363)
2031	41
Thereafter	(587)

Supplemental Pension Plan (SERP)

The Company offers the Supplemental Pension Plan of the Higher Education Loan Authority of the State of Missouri (SERP), a single-employer defined benefit pension plan that provides pension benefits to employees whose benefit is limited by Section 415 of the Internal Revenue Code under the MOHELA Pension Plan. At June 30, 2026 and 2025, SERP membership consisted of 3 and 4 participants. At June 30, 2026 and 2025, the Company's liability was \$1,239 and \$1,347, respectively. For the years ended June 30, 2026 and 2025, SERP expense of \$(13) and \$(8), respectively, was recognized. At June 30, 2026, the Company had \$137 deferred outflows of resources and \$422 deferred inflows of resources related to the SERP. At June 30, 2025, the Company had \$180 deferred outflows of resources and \$441 deferred inflows of resources related to the SERP.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Segment Information

A segment is an identifiable activity (or grouping of activities) reported as or within an enterprise fund or other stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required by an external party to be accounted for separately. During the fiscal year ended June 30, 2026, the Company had five segments that met the reporting requirements of GASB Statement No. 34, as amended by GASB Statement No. 37. In addition to its segments, the Company presents summary financial information for the Operating Fund, which is used to record administrative transactions and revenue streams related to student loans not associated with bond issues.

The outstanding debt of the Company at June 30, 2026 and 2025 consisted of student loan revenue bonds issued in accordance with two Trust Indentures adopted by the Board of Directors from fiscal year 2021 through fiscal year 2022. The bond documents provide that the bonds are payable exclusively from the eligible loans pledged under the respective resolutions and indentures, amounts deposited in the accounts pledged under the resolutions and indentures, and all other revenues and recoveries of principal from the loans purchased with the bond proceeds. All of the Company's bonds are limited obligations of the Company, which are payable solely from the respective trust estates. As a result, there is no cross-collateralization with other trust estates or the operating funds of the Company. Furthermore, the Company's bonds are not insured or guaranteed by any government agency or instrumentality, including the Company, the State of Missouri, or any political subdivision thereof. As a result of the preceding, it is possible that a trust estate segment can show a negative restricted net position balance as no operating funds of the Company will pay the deficit.

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Segment Information (continued)

Summary financial information of the Company's segments and Operating Fund as of June 30, 2026 and 2025 is as follows:

	2026					
	Bond Funds			Operating Fund	Foundation	Knowledge Finance
	2021-1 Trust Indenture	2021-2 Trust Indenture	2021-3 Trust Indenture			
Condensed Statement of Net Position						
Assets:						
Current assets	\$ 36,909	\$ 49,634	\$ —	\$ 197,326	\$ 199,845	\$ 1,160
Long-term assets	144,771	171,948	—	77,400	21,396	—
Total assets	181,680	221,582	—	274,726	221,241	1,160
Deferred outflows of resources	—	—	—	12,398	—	—
Liabilities:						
Current liabilities	17,468	19,619	—	155,470	392	—
Long-term liabilities	141,225	175,940	—	8,807	3,184	—
Interfund payable (receivable)	(212)	(345)	—	981	75	(499)
Total liabilities	158,481	195,214	—	165,258	3,651	(499)
Deferred inflows of resources	—	—	—	20,788	—	—
Net position:						
Net investment in capital assets	—	—	—	14,077	—	—
Restricted for debt service	23,199	26,368	—	4,028	—	—
Unrestricted	—	—	—	82,973	217,590	1,659
Total net position	\$ 23,199	\$ 26,368	\$ —	\$ 101,078	\$ 217,590	\$ 1,659

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Segment Information (continued)

	2025					
	Bond Funds			Operating Fund	Foundation	Knowledge Finance
	2021-1 Trust Indenture	2021-2 Trust Indenture	2021-3 Trust Indenture			
						Total
Condensed Statement of Net Position						
Assets:						
Current assets	\$ 39,280	\$ 51,489	\$ —	\$ 244,511	\$ 180,934	\$ 1,132
Long-term assets	164,317	192,847	—	68,718	25,327	—
Total assets	203,597	244,336	—	313,229	206,261	1,132
Deferred outflows of resources	—	—	—	16,963	—	—
Liabilities:						
Current liabilities	16,937	18,509	—	205,627	188	—
Long-term liabilities	161,961	197,295	—	12,714	2,748	—
Interfund payable (receivable)	(170)	(79)	—	738	86	(575)
Total liabilities	178,728	215,725	—	219,079	3,022	(575)
Deferred inflows of resources	—	—	—	13,127	—	—
Net position:						
Net investment in capital assets	—	—	—	15,364	—	—
Restricted for debt service	24,869	28,611	—	5,493	—	—
Unrestricted	—	—	—	77,129	203,239	1,707
Total net position	\$ 24,869	\$ 28,611	\$ —	\$ 97,986	\$ 203,239	\$ 1,707

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Segment Information (continued)

	2026					
	Bond Funds			Operating Fund	Foundation	Knowledge Finance
	2021-1 Trust Indenture	2021-2 Trust Indenture	2021-3 Trust Indenture			
						Total
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues	\$ 12,115	\$ 14,098	\$ —	\$ 281,760	\$ —	\$ 280
Operating expenses	9,481	11,690	—	269,958	3,628	328
Operating income (loss)	2,634	2,408	—	11,802	(3,628)	(48)
Noncapital subsidies	—	—	—	(2,158)	(11,019)	—
Non-operating revenues (expenses)	159	424	—	(16,090)	28,998	—
Income (loss) before transfers	2,793	2,832	—	(6,446)	14,351	(48)
Interfund transfers	(4,463)	(5,075)	—	9,538	—	—
Change in net position	(1,670)	(2,243)	—	3,092	14,351	(48)
Net position, beginning of year	24,869	28,611	—	97,986	203,239	1,707
Net position, end of year	\$ 23,199	\$ 26,368	\$ —	\$ 101,078	\$ 217,590	\$ 1,659

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Segment Information (continued)

	2025						
	Bond Funds						
	2021-1	2021-2	2021-3	Operating		Knowledge	
	Trust	Trust	Trust	Fund	Foundation	Finance	Total
	Indenture	Indenture	Indenture				
Condensed Statement of Revenues, Expenses, and Changes in Net Position							
Operating revenues	\$ 14,981	\$ 17,422	\$ 6,579	\$ 317,172	\$ —	\$ 306	\$ 356,460
Operating expenses	11,439	14,244	5,150	318,983	309	329	350,454
Operating income (loss)	3,542	3,178	1,429	(1,811)	(309)	(23)	6,006
Noncapital subsidies	—	—	—	(2,100)	(12,023)	—	(14,123)
Non-operating revenue (expenses)	287	824	1,779	(25,843)	19,325	—	(3,628)
Income (loss) before transfers	3,829	4,002	3,208	(29,754)	6,993	(23)	(11,745)
Interfund transfers	(9,469)	(7,376)	(17,029)	33,874	—	—	—
Change in net position	(5,640)	(3,374)	(13,821)	4,120	6,993	(23)	(11,745)
Net position, beginning of year	30,509	31,985	13,821	93,866	196,246	1,730	368,157
Net position, end of year	\$ 24,869	\$ 28,611	\$ —	\$ 97,986	\$ 203,239	\$ 1,707	\$ 356,412

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Segment Information (continued)

	2026						
	Bond Funds			Operating Fund	Foundation	Knowledge Finance	Total
	2021-1 Trust Indenture	2021-2 Trust Indenture	2021-3 Trust Indenture				
Condensed Statement of Cash Flows							
Net cash flows from operating activities	\$ 25,687	\$ 27,513	\$ (193)	\$ (2,450)	\$ 81	\$ -	\$ 50,638
Net cash flows from non-capital financing activities	(26,823)	(28,850)	-	(3,669)	(10,385)	-	(69,727)
Net cash flows from capital and related financing activities	-	-	-	(17,189)	-	-	(17,189)
Net cash flows from investing activities	162	432	14	(437)	10,776	-	10,947
Net decrease in cash and cash equivalents	(974)	(905)	(179)	(23,745)	472	-	(25,331)
Cash and cash equivalents, beginning of year	3,511	10,481	-	166,076	1,381	1,076	182,525
Cash and cash equivalents, end of year	\$ 2,537	\$ 9,576	\$ (179)	\$ 142,331	\$ 1,853	\$ 1,076	\$ 157,194

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Segment Information (continued)

	2025						
	Bond Funds			Operating Fund	Foundation	Knowledge Finance	Total
	2021-1 Trust Indenture	2021-2 Trust Indenture	2021-3 Trust Indenture				
Condensed Statement of Cash Flows							
Net cash flows from operating activities	\$ 32,454	\$ 41,769	\$ 15,460	\$ 91,095	\$ (3,259)	\$ -	\$ 177,519
Net cash flows from non-capital financing activities	(42,478)	(60,996)	(26,273)	20,858	(11,168)	-	(120,057)
Net cash flows from capital and related financing activities	-	-	-	(13,714)	-	-	(13,714)
Net cash flows from investing activities	340	929	380	(23)	14,262	-	15,888
Net increase (decrease) in cash and cash equivalents	(9,684)	(18,298)	(10,433)	98,216	(165)	-	59,636
Cash and cash equivalents, beginning of year	13,195	28,779	10,433	67,860	1,546	1,076	122,889
Cash and cash equivalents, end of year	\$ 3,511	\$ 10,481	\$ -	\$ 166,076	\$ 1,381	\$ 1,076	\$ 182,525

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

11. Blended Component Unit

The Foundation is accounted for as a blended component unit of the Company as it approves the appointment of the Foundation's Board of Directors, has the ability to impose its will on the Foundation, and it is a not-for profit corporation in which the Company is the sole corporate member.

Statements of Net Position

<u>Foundation</u>	<u>As of June 30, 2026</u>	<u>As of June 30, 2025</u>
Assets		
Current assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,853	\$ 1,381
Investments - unrestricted	194,083	175,932
Student loans receivable	3,545	3,327
Miscellaneous receivables	364	294
Total current assets	<u>199,845</u>	<u>180,934</u>
Long-term assets		
Student loans receivable (less allowance for doubtful loans \$1,845 and \$1,474)	<u>21,396</u>	<u>25,327</u>
Total long-term assets	<u>21,396</u>	<u>25,327</u>
Total assets	<u>\$ 221,241</u>	<u>\$ 206,261</u>
Liabilities and net position		
Current liabilities		
Accounts payable and accrued liabilities	\$ 392	\$ 188
Due to the Higher Education Loan Authority of the State of Missouri	75	86
Total current liabilities	<u>467</u>	<u>274</u>
Long-term liabilities		
MyMo Class of 2025 Promise Program	415	613
MyMo Class of 2026 Promise Program	953	1,133
MyMo Class of 2027 Promise Program	903	687
MyMo Class of 2028 Promise Program	598	315
MyMo Class of 2029 Promise Program	315	-
Total long-term liabilities	<u>3,184</u>	<u>2,748</u>
Total liabilities	<u>\$ 3,651</u>	<u>\$ 3,022</u>
Net position:		
Unrestricted	<u>217,590</u>	<u>203,239</u>
Total net position	<u>\$ 217,590</u>	<u>\$ 203,239</u>

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

11. Blended Component Unit (continued)

Statements of Revenues, Expenses and Changes in Net Position

<u>Foundation</u>	<u>For the Year Ended June 30, 2026</u>	<u>For the Year Ended June 30, 2025</u>
Operating revenues	\$ -	\$ -
Operating expenses:		
Provision (Benefit) for loan losses	2,137	(1,043)
Total student loan-related expenses	2,137	(1,043)
Professional fees	25	11
Other operating expenses	1,466	1,341
Total general and administrative expenses	1,491	1,352
Total operating expenses	3,628	(309)
Operating loss	(3,628)	(309)
Noncapital subsidies:		
Scholarships	(5,591)	(6,759)
Grants	(679)	(474)
Partnership Projects	(749)	(790)
Bright Flight Contribution	(2,000)	(2,000)
Access Missouri Financial Assistance Program	(2,000)	(2,000)
Total noncapital subsidies	(11,019)	(12,023)
Operating loss and noncapital subsidies	(14,647)	(12,332)
Non-operating revenues:		
Investment income	4,264	3,992
Realized and unrealized gain on investments	24,734	15,333
Total non-operating revenues	28,998	19,325
Change in net position	14,351	6,993
Net position, beginning of year	203,239	196,246
Net position, end of year	\$ 217,590	\$ 203,239

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

11. Blended Component Unit (continued)

Statements of Cash Flows

Foundation

	<u>For the Year Ended June 30, 2026</u>	<u>For the Year Ended June 30, 2025</u>
Cash flows from operating activities:		
Disbursement of new student loans	\$ (1,714)	\$ (5,000)
Student loan repayments	3,289	3,066
Payments to vendors	(296)	(331)
Cash paid for servicing fees	(1,198)	(1,044)
Contributions	-	50
Net cash provided by (used in) operating activities	<u>81</u>	<u>(3,259)</u>
Cash flows from noncapital financing activities:		
Proceeds from line of credit	-	21,000
Repayment of line of credit	-	(21,000)
Subsidies provided for scholarships and grants	(5,636)	(6,378)
Subsidies provided for partnership projects	(749)	(790)
Subsidies provided for Bright Flight	(2,000)	(2,000)
Subsidies provided for Access Missouri	(2,000)	(2,000)
Net cash used in noncapital financing activities	<u>(10,385)</u>	<u>(11,168)</u>
Cash flows from investing activities:		
Purchase of investments, net of sales	10,500	9,922
Interest received on cash, cash equivalents and investments	276	4,340
Net cash provided by investing activities	<u>10,776</u>	<u>14,262</u>
Change in cash and cash equivalents	472	(165)
Cash and cash equivalents, beginning of year	1,381	1,546
Cash and cash equivalents, end of year	<u>\$ 1,853</u>	<u>\$ 1,381</u>

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

11. Blended Component Unit (continued)

Statements of Cash Flows

<u>Foundation</u>	<u>For the Year Ended June 30, 2026</u>	<u>For the Year Ended June 30, 2025</u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating loss	\$ (3,628)	\$ (309)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision (Benefit) for loan losses	2,137	(1,043)
Change in assets and liabilities:		
Decrease (Increase) in student loans receivable	1,576	(1,935)
(Decrease) Increase in due to the Higher Education Loan Authority of the State of Missouri	(11)	21
Increase in other liabilities	7	7
Total adjustments	3,709	(2,950)
Net cash used in operating activities	\$ 81	\$ (3,259)
Noncash investing, capital, and financing activities:		
Changes in investments and outstanding liabilities related to capital assets	\$ 15,854	\$ 13,455

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

11. Blended Component Unit (continued)

Knowledge Finance is accounted for as a blended component unit of the Company as it approves the appointment of the Board of Directors, has the ability to impose its will on Knowledge Finance, and it is a not-for profit corporation in which the Company is the sole corporate member.

Statement of Net Position

<u>Knowledge Finance</u>	<u>As of June 30, 2026</u>	<u>As of June 30, 2025</u>
Assets		
Current assets		
Cash	\$ 1,076	\$ 1,076
Due from the Higher Education Loan Authority of the State of Missouri	499	575
Servicing fees	84	56
Total current assets	<u>1,659</u>	<u>1,707</u>
Total assets	<u>\$ 1,659</u>	<u>\$ 1,707</u>
Liabilities and net position		
Current liabilities		
Due to the Higher Education Loan Authority of the State of Missouri	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Net position:		
Unrestricted	1,659	1,707
Total net position	<u>\$ 1,659</u>	<u>\$ 1,707</u>

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

11. Blended Component Unit (continued)

Statement of Revenues, Expenses and Changes in Net Position

<u>Knowledge Finance</u>	<u>For the Year Ended June 30, 2026</u>	<u>For the Year Ended June 30, 2025</u>
Operating revenues, net:		
Servicing revenue	\$ 280	\$ 306
Total operating revenues, net	<u>280</u>	<u>306</u>
Operating expenses:		
Other operating expenses	<u>328</u>	<u>329</u>
Total operating expenses	<u>328</u>	<u>329</u>
Operating loss	<u>(48)</u>	<u>(23)</u>
Change in net position	(48)	(23)
Net position, beginning of year	<u>1,707</u>	<u>1,730</u>
Net position, end of year	<u>\$ 1,659</u>	<u>\$ 1,707</u>

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

11. Blended Component Unit (continued)

Statements of Cash Flows

<u>Knowledge Finance</u>	<u>For the Year Ended June 30, 2026</u>	<u>For the Year Ended June 30, 2025</u>
Cash flows from operating activities:		
Cash paid for servicing fees	\$ -	\$ -
Net cash used in operating activities	-	-
Cash flows from noncapital financing activities:		
Contributions from the Higher Education Loan Authority of the State of Missouri	-	-
Net cash provided by noncapital financing activities	-	-
Cash flows from investing activities:		
Net cash used in investing activities	-	-
Change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	1,076	1,076
Cash and cash equivalents, end of year	<u>\$ 1,076</u>	<u>\$ 1,076</u>

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued) (Dollars in Thousands)

11. Blended Component Unit (continued)

Statements of Cash Flows

<u>Knowledge Finance</u>	<u>For the Year Ended June 30, 2026</u>	<u>For the Year Ended June 30, 2025</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating loss	\$ (48)	\$ (23)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Increase in servicing fees receivable	(28)	(3)
Decrease in due from Higher Education Loan Authority of the State of Missouri	76	26
Total adjustments	48	23
Net cash used in operating activities	\$ -	\$ -

Higher Education Loan Authority of the State of Missouri

Notes to Financial Statements (continued)

(Dollars in Thousands)

12. Future Accounting Pronouncements

In December 2025, the GASB issued Statement No. 105, Subsequent Events. This statement defines subsequent events, including the time frame, adds the date through which subsequent events were evaluated and clarifies what should be disclosed in the financial statements. The Company is required to implement this Statement for the period ending June 30, 2027.

The Company is evaluating the impact of the adoption of these pronouncements.

13. Subsequent Events

Subsequent to June 30, 2026, the Company accepted an unsolicited offer to sell the headquarters building. On September 10, 2026, the Company closed on the sale and recognized a \$1.9 million gain on the sale. The building was collateral for a \$3.8 million note payable that was paid in full from the proceeds of the sale. The Company entered into a lease with the new owner of the building that will end no later than June 30, 2027.

On September 15, 2026, the Company purchased a building for \$7.7 million. The building is pledged as collateral for a construction loan up to \$8.8 million with an interest rate of CME Term SOFR Reference Rate plus 2.0%.

Higher Education Loan Authority of the State of Missouri

Required Supplementary Information Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (Unaudited)/(Dollars in Thousands)

As of and for the Years Ended June 30, 2026, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, and 2017

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total Pension Liability										
Service cost	\$ 3,321	\$ 4,183	\$ 3,558	\$ 2,748	\$ 2,581	\$ 2,509	\$ 2,731	\$ 2,707	\$ 2,616	\$ 3,900
Interest on the Total Pension Liability	5,142	5,376	4,901	4,316	3,959	3,573	3,547	3,191	3,027	3,015
Changes of Benefit Terms	-	-	-	-	-	(150)	-	-	-	(4,346)
Differences between expected and actual experience	(1,709)	2,926	6,518	29	6,615	(1,399)	241	(688)	1,480	1,273
Changes of Assumptions	(3,236)	(1,615)	2,133	(2,965)	1,711	499	2,174	1,880	(515)	215
Benefit payments	(7,563)	(10,101)	(4,119)	(1,389)	(4,918)	(9,886)	(3,040)	(2,493)	(1,675)	(3,960)
Net change in total pension liability	(4,045)	769	12,991	2,739	9,948	(4,854)	5,653	4,597	4,933	97
Total pension liability - beginning	78,353	77,584	64,593	61,854	51,906	56,760	51,107	46,510	41,577	41,480
Total pension liability - ending (a)	74,308	78,353	77,584	64,593	61,854	51,906	56,760	51,107	46,510	41,577
Plan fiduciary net position										
Contributions - employer	2,361	4,148	3,883	16,023	2,009	6,676	3,176	2,894	3,166	4,496
Investment income	15,251	10,731	10,605	7,675	(10,812)	14,730	1,778	3,368	3,440	3,647
Investment expenses	(216)	(208)	(193)	(171)	(174)	(168)	(156)	(151)	(175)	(166)
Benefit payments	(7,563)	(10,101)	(4,119)	(1,389)	(4,918)	(9,886)	(3,040)	(2,493)	(1,675)	(3,960)
Administrative expense	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	9,833	4,570	10,176	22,138	(13,895)	11,352	1,758	3,618	4,756	4,017
Plan fiduciary net position-beginning	87,603	83,033	72,857	50,719	64,614	53,262	51,504	47,886	43,130	39,113
Plan fiduciary net position-ending (b)	\$ 97,436	\$ 87,603	\$ 83,033	\$ 72,857	\$ 50,719	\$ 64,614	\$ 53,262	\$ 51,504	\$ 47,886	\$ 43,130
Net pension liability (asset) - ending (a) - (b)	(23,128)	(9,250)	(5,449)	(8,264)	11,135	(12,708)	3,498	(397)	(1,376)	(1,553)
Plan fiduciary net position as a percentage of the total pension liability	131.12%	111.81%	107.02%	112.79%	82.00%	124.48%	93.84%	100.78%	102.96%	103.74%
Covered payroll beginning of year	\$ 30,047	\$ 36,143	\$ 31,663	\$ 23,530	\$ 22,619	\$ 21,760	\$ 26,710	\$ 27,278	\$ 27,282	\$ 26,641
Net pension liability (asset) as a percentage of covered-employee payroll	-76.97%	-25.59%	-17.21%	-35.12%	49.23%	-58.40%	13.10%	-1.45%	-5.04%	-5.83%

Actuarial valuation date is as of the beginning of each fiscal period presented herein.

Higher Education Loan Authority of the State of Missouri

Required Supplementary Information Schedule of Contributions (Unaudited)/(Dollars in Thousands)

Last 10 Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 2,361	\$ 4,148	\$ 3,884	\$ 4,888	\$ 2,009	\$ 3,178	\$ 3,176	\$ 2,894	\$ 3,166	\$ 4,496
Actual contribution recognized during the year	2,361	4,148	3,884	16,023	2,009	6,676	3,176	2,894	3,166	4,496
Contribution deficiency (excess)	-	-	-	(11,135)	-	(3,498)	-	-	-	-
Covered payroll beginning of year	\$ 30,047	\$ 36,143	\$ 31,663	\$ 23,530	\$ 22,619	\$ 21,760	\$ 26,710	\$ 27,278	\$ 27,282	\$ 26,641
Contributions as a % of covered – employee payroll	7.86%	11.48%	12.27%	68.10%	8.88%	30.68%	11.89%	10.61%	11.60%	16.88%
Methods and Assumptions for Actuarially Determined Contribution										
Salary Scale	3.0% 4.0% thereafter	4.5%	5.0%, 4.5% thereafter	6.0%, 5.0%, 4.5% thereafter	4.50%	4.50%	4.50%	4.50%	4.50%	5.00%
Investment Rate of Return	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
Amortization Period	6.8	7.2	6.7	6.9	6.9	6.9	6.9	6.9	6.8	8.8
Inflation Rate	2.75%	2.25%	2.25%	2.75%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Mortality Table	PubG-2016/MP 2021	PubG-2010/MP 2021	PubG-2010/MP 2021	PubG-2010/MP 2021	PubG-2010/MP 2020	PubG-2010/MP 2018	RP 2014 Blue Collar MP 2017	RP 2014 Blue Collar MP 2017	RP 2014 Blue Collar MP 2016	RP 2014 Blue Collar MP 2018
Actuarial Cost Method	Aggregate									
Asset Valuation Method	Actuarial value as used for funding valuation purposes									
Amortization Method	Level Percent of Payroll									
Amortization Period	Average future service period of current employees									

Actuarial valuation date is as of the beginning of each fiscal period presented herein.

Higher Education Loan Authority of the State of Missouri

Required Supplementary Information
Schedule of Investment Returns
(Unaudited)

Last 10 Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return
2026	17.83%
2025	12.98%
2024	14.27%
2023	12.87%
2022	-16.69%
2021	27.94%
2020	3.44%
2019	6.95%
2018	7.77%
2017	9.01%



Ernst & Young LLP
Suite 2600
7676 Forsyth Boulevard
St. Louis, MO 63105

Tel: +1 314 290 1000
ey.com

**Shape the future
with confidence**

Report of Independent Auditors 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*

Members of
The Higher Education Loan Authority of the State of Missouri

We have audited, 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 (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of the Higher Education Loan Authority of the State of Missouri (“the Company”), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements (collectively referred to as the “financial statements”), and have issued our report thereon dated September 16, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company’s internal control over financial reporting (internal control) as a basis for designing 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 Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’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.



**Shape the future
with confidence**

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of 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 financial statements. 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.

Ernst & Young LLP

September 16, 2026