Vermont Student Assistance Corporation

(A Component Unit of the State of Vermont)

Financial Statements and Supplementary Information

Years Ended June 30, 2023 and 2022

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vermont Student Assistance Corporation
Winooski, Vermont

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 Vermont Student Assistance Corporation (the Corporation), a component unit of the State of Vermont, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 2 to the financial statements, the Corporation implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, and has adopted the provisions of the standard as of the beginning of the earliest period presented. Our opinions are not modified with respect to this matter.

Other Matter

Prior Period Financial Statements

The basic financial statements of the Corporation as of June 30, 2022, were audited by other auditors whose report dated September 20, 2022, expressed unmodified opinions on the business-type activities and fiduciary activities.

As part of our audit of the 2023 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the Corporation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

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 from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- 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 Corporation's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Vermont Student Assistance Corporation

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 Vermont Student Assistance Corporation's basic financial statements. The statements of revenues, expenses, and changes in net position by operating segment are presented for purposes of additional analysis and are 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 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 statements of revenues, expenses, and changes in net position by operating segment 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 22, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Corporation'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 Corporation's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
September 22, 2023

The Vermont Student Assistance Corporation (VSAC or the Corporation), a public nonprofit corporation, was created as an instrumentality and agency of the State of Vermont (the State) by the State's Legislature in 1965 and exists under Chapter 87 of Title 16, Vermont Statutes Annotated for the purpose of ensuring that Vermont students and parents have the necessary information and financial resources to pursue their education goals beyond high school. VSAC awards grants and scholarships, and finances, guarantees, originates, and services education loans to students and parents. VSAC also administers outreach services to students seeking postsecondary education opportunities. Finally, VSAC manages the Vermont Higher Education Investment Plan.

VSAC administers the State grant program, funded by State appropriations, at no cost to the State. VSAC administers and awards approximately 124 scholarship programs, including VSAC assisted scholarships and scholarship funds held and managed by VSAC.

VSAC's education loan programs are financed through issuance of limited obligation bonds. Certain education loans are guaranteed by VSAC as a guarantor and/or reinsured by the U.S. Department of Education (ED) through the Federal Family Education Loan (FFEL) Program. VSAC education loans are available to Vermont students attending both in-state and out-of-state institutions, and to students of Vermont institutions.

VSAC's outreach services are funded through a variety of federal grants including GEAR UP and Talent Search, as well as through State grants, and general corporate support.

Management's Discussion and Analysis Report includes Fiscal 2023 and Fiscal 2022 information due to the fact that the Financial Statements include Fiscal 2023 and Fiscal 2022 information.

The Financial Statements

VSAC's financial statements are a series of reports that detail financial information using accounting methods similar to those used by private businesses, especially financial institutions.

The statement of revenues, expenses and changes in net position present the results of VSAC's operations. The statement reports all revenues and expenses and reconciles the beginning and end of year net position balances.

The statement of net position includes all the Corporation's assets, liabilities and deferred inflows of resources. The statement also presents the balance of assets less liabilities and deferred inflows, or net position.

The statement of cash flows supplements these statements providing relevant information about cash receipts and payments for the Corporation.

The notes to financial statements are an integral part of the financial statements and contain information necessary to get a complete view of VSAC's financial position.

FISCAL 2023

Fiscal 2023 Highlights and Overall Financial Position

- VSAC's total increase in net position for the years ended June 30, 2023 and 2022 was $9.4 million and $4.4 million, respectively. VSAC's total net position increased to $217.3 million.
- Interest expense, which is a combination of bond interest costs offset by amortization of deferred gains on early bond retirement, increased $3.5 million from 2022 to 2023. See Interest Costs on page 11 of Management's Discussion and Analysis for details of the components of Interest Expense.
- During the year ended June 30, 2023, VSAC provided $34.3 million in grants and scholarships to Vermont students.
- VSAC originated $39.6 million in new loans to students and parents. VSAC holds and services $450.8 million in education loans receivable and related interest at June 30, 2023.
- VSAC returned $0.3 million in interest rebates to students in its loan programs during fiscal 2023.
- VSAC holds student loans and variable rate notes payable whose return is linked to the London Inter Bank Offered Rate ('LIBOR'). The one-month LIBOR used as a reference rate by certain of VSAC's bonds expired at the end of the day on June 30, 2023. On March 15, 2023 the President signed legislation which would smooth transition of issuers of LIBOR-based obligations to a replacement reference rate. This legislation, the Adjustable Interest Rate (LIBOR) Act of 2022, provides for the replacement of LIBOR with the Secured Overnight Financing Rate (SOFR) plus a spread adjustment. Using the provisions of this legislation VSAC has transitioned to the use of the replacement rate.
- During fiscal 2023 VSAC implemented GASB Statement No. 101, Compensated Absences. This statement changes how VSAC is required to account for compensated absences which do not vest such as medical leave. The application of this accounting change requires a retroactive restatement of all prior periods presented. This restatement resulted in a decrease of Net Position as of June 30, 2021 of $2,273 and a decrease in Net Position of $89 for the year ended June 30, 2022. The cumulative effect of the restatement was a decrease in Net Position of $2,362 as of June 30, 2022.

Condensed Financial Information

Statements of Net Position

	2023	2022
	(In Thousands)	
Assets:		
Cash and investments	$ 115,133	$ 119,343
Education loans receivable (plus interest)	450,772	527,661
Other assets	14,352	15,294
Total assets	$ 580,257	$ 662,298
Liabilities:		
Bonds and notes payable (plus interest)	$ 333,037	$ 423,971
U.S. Treasury rebates payable	3,750	3,885
Other liabilities	19,186	15,322
Total liabilities	355,973	443,178
Deferred inflows of resources:		
Deferred inflows from leasing activity	1,179	1,350
Deferred gains on early refunding of bonds payable	5,846	9,868
Total deferred inflows of resources	7,025	11,218
Total liabilities and deferred inflows of resources	362,998	454,396
Net position:		
Net investment in capital assets	10,863	11,528
Restricted	76,504	67,181
Unrestricted	129,892	129,193
Total net position	217,259	207,902
Total liabilities, deferred inflows of resources and net position	$ 580,257	$ 662,298

Statements of Revenues, Expenses and Changes in Net Position

	2023	2022
	(In Thousands)	
Operating revenues:		
Interest earned from education loan financing	$ 32,746	$ 27,100
Other loan and guarantee program revenues	1,778	1,949
Investment interest	3,984	467
Vermont state appropriations	25,494	22,291
Federal grants	6,558	8,509
Scholarship and gift income	6,351	4,989
Facility lease revenue	722	712
529 plan revenue	751	786
Other (loss) income	1,098	(1,079)
Total operating revenues	79,482	65,724
Operating expenses:		
Grants and scholarships	34,322	29,961
Interest rebated to borrowers	271	910
Interest on debt, net of amortization	10,741	7,267
Other loan financing costs	2,831	1,468
Corporate operating expenses and depreciation	22,412	22,342
Total operating expenses	70,577	61,948
Change in net position from operations	8,905	3,776
Contributions to permanent scholarship endowment	452	591
Change in net position	9,357	4,367
Net position, beginning of year	207,902	203,535
Net position, end of year	$ 217,259	$ 207,902

Net Position

Cash and investment balances decreased $4.2 million from June 30, 2022 to June 30, 2023 from $119.3 million to $115.1 million. The cash balance associated with restricted bonds decreased $10.7 million during this time. Unrestricted cash increased $5.3 million during the year.

Student loans and interest receivable totaled $450.8 million at June 30, 2023, down from $527.7 million in 2022. This decrease is due to overall loan principal collections exceeding new loan originations in the VSAC private loan program.

Bonds and notes payable decreased $91.0 million from $424.0 million at June 30, 2022 to $333.0 million at June 30, 2023. VSAC's financing activity in 2023 was comprised primarily of the following (in millions):

Principal payments, 2012-13-14 variable rate notes	$ (83.5)
Principal payments, VSAC fixed rate bonds	(26.7)
Issuance of 2023A student loan financing bond	20.8
Premium/discount amortization	(1.6)
	$ (91.0)

The 2012, 2013 and 2014 variable rate notes, which were issued in those years to refund auction rate bonds, letter of credit bonds, and the ABCP Conduit note, include a feature which requires periodic calculations of available cash used to pay bond principal. For more information regarding bonds and notes payable, see Note 11 to the basic financial statements.

U.S. Treasury rebates payable is described in the expense discussion. This liability decreased as of June 30, 2023 to $3.8 million from $3.9 million as of June 30, 2022.

Unrestricted net position increased from $129.2 million at June 30, 2022 to $129.9 million at June 30, 2023. Including the Net Investment in Capital Assets section of Net Position, the year over year increase is $0.1 million. VSAC's unrestricted net position at June 30, 2023 and 2022 consists of the following (in millions):

	2023	2022
Cash and investments	$ 47.5	$ 45.8
Investment in student loans and related interest	61.8	62.9
Physical plant	10.6	11.3
Subordinated VSAC bonds	22.5	22.5
Other	(1.6)	(1.8)
Total unrestricted including Net Investment in Capital Assets	$ 140.8	$ 140.7

Restricted net position increased from $67.2 million at June 30, 2022 to $76.5 million at June 30, 2023. This increase was primarily in the bond funds due to the operating surplus in those funds. Of the $76.5 million, $64.2 million is restricted by bond resolutions. The remaining $12.3 million is restricted for scholarships and grants and for programs to encourage students to pursue higher education.

Revenues

VSAC's fiscal 2023 financial results increased net position by $9.4 million. All revenues, except contributions to the permanent scholarship endowment, are considered operating revenues. VSAC realized $79.5 million in operating revenues versus $70.6 million in total expenses. VSAC revenues include interest income on student loans, various federal interest subsidies and special allowance payments, State of Vermont grants, fees earned in the federal guarantee program, and lease revenues.

Overall loan revenue of VSAC is closely related to the general interest rate environment and the amount of loans outstanding. During 2023, loan revenue increased from $27.1 to $32.7 million. The components of loan revenue are as follows (in thousands):

	2023	2022
U.S. Department of Education interest benefits	$ 187	289
U.S. Department of Education special allowance	4,026	377
Borrower interest and fees on student loans	29,290	31,588
Borrower interest paid to Department of Education	(757)	(5,154)
	$ 32,746	27,100

No new FFEL Program loans have been created since June 30, 2010. This affects the components of loan revenue differently:

- Interest for certain loans is paid by ED as a subsidized interest benefit on qualifying borrowers. This item decreased because the population of loans which qualify for this benefit is declining.
- ED also pays special allowance payments under certain interest rate conditions. This item increased because the impact of decreasing eligible loan balances was more than offset by the impact of increasing interest rate indices (LIBOR) which increase these payments.
- Although VSAC originates new non-guaranteed loans, the population of ED-guaranteed loans is paying down more rapidly, resulting in decreased borrower interest and fees.
- Certain borrower interest revenues which exceed the special allowance formulae must be paid to ED each quarter. The amount paid decreased for reasons similar to the special allowance change.

Interest rate risk on student loan assets is managed by closely matching the coupon rate reset frequency of our debt instruments with rates that drive our loan returns. Our private loan financing bonds are issued with fixed interest rates. The student loans pledged to these bonds (2010 and later VSAC Private loans) also have fixed interest rates. All other outstanding student loan bonds and notes have variable interest rates reset on periodic intervals based on short-term LIBOR rates. The earnings on loans pledged to these bonds have variable interest rates based on short-term LIBOR rates with similar reset frequencies.

Other revenues associated with the loan and loan guarantee programs include consolidation fees, rehabilitation fees, default aversion fees, collections revenues, and other program fees and revenues. These fees and revenues decreased from $1.9 million in fiscal 2022 to $1.8 million in fiscal 2023. This decrease is primarily due to decreased volumes of FFEL program loans outstanding which generate these revenues.

Interest rates on cash positions were higher during the year ended June 30, 2023, resulting in higher interest earnings over the prior year. Investments include unrestricted, student loan and scholarship funds temporarily invested in short-term investments, and scholarship endowment funds invested for long-term growth and income. Other gains (losses) related to investing, both realized gains (losses) on sales and unrealized gains (losses) on appreciated (depreciated) assets held at year-end, are reflected in the Other Income line and were $0.7 million in 2023 and $(1.4) million in 2022.

VSAC's State revenue recognized increased to $25.5 million in 2023 from $22.3 million in 2022. State appropriation support including amounts reported as grants and scholarship income increased from $23.2 million to $28.4 million. The difference between total State appropriation support and VSAC State revenue recognized is related to amounts which are not intended for the State need-based grant program and which VSAC records as scholarship support. The state appropriation increased mainly due to a $1.0 million increase in VSAC's base appropriation, an additional $1.5 million for the 802 Opportunity grants program and $3.0 million for the VT Trades scholarship program.

Federal grants were $6.6 million in fiscal 2023 and $8.5 million in fiscal 2022. The decrease was primarily due to the end of the Green Mountain Grad program which was funded by Federal funds passed through the State. Generally Federal grants revenues are applied for only after VSAC has incurred expenses for administration and program activities associated with those grants. Federal scholarship funds are received in the year of their Federal budget authorization and revenues recognized by VSAC as awards are disbursed.

Scholarship revenues, representing the use of restricted gifts and grants, increased from $5.0 million in 2022 to $6.4 million in 2023. Additionally, donations of new permanent scholarship endowment funds, a non-operating item, were $0.5 million and $0.6 million in 2023 and 2022, respectively.

In fiscal 2019, VSAC began leasing excess office space in its facility. The revenues recognized under these leases were $722 thousand and $712 thousand in fiscal 2023 and fiscal 2022, respectively. VSAC earns fees used for administration and marketing of the State's 529 higher education savings plan. These fees were $751 thousand and $786 thousand in fiscal 2023 and fiscal 2022, respectively. VSAC's revenue for this item is calculated based on the total market value of invested assets.

Expenses

VSAC has four main types of expenses: 1. Student aid, 2. Interest and other costs of debt, 3. Noninterest costs of financing loans, and 4. Costs of operations.

Student Aid – VSAC provided Vermont students with $34.3 million in student aid during fiscal 2023. Of this amount, $24.3 million in grant aid was provided from State appropriations. An additional $10.0 million was made available through various scholarship programs managed by VSAC. Direct aid in the form of grants and scholarships represented 48.6% of VSAC's operating expenses in fiscal 2023 compared to 48.4% in 2022.

While not strictly a student aid expense, interest rebated to borrowers helps current and former students and parents manage their education debt. VSAC provided $0.3 million in rebates of interest to borrowers in 2023, which represents 0.4% of VSAC's operating expenses in fiscal year 2023 compared to 1.5% in 2022.

It is also important to note that, while not an expense to the Corporation, a significant portion of aid to students is the $39.6 million in new loans VSAC made available to students and parents in fiscal 2023.

Interest Costs – In order to provide Vermont students and parents with low-cost loans, VSAC issued two types of bonds that remain outstanding as of June 30, 2023 and 2022, fixed rate and variable rate. The interest costs of the bonds represent a significant expense category for VSAC. The variable-rate notes were issued to refinance VSAC's auction-rated securities and are supported by variable-rate student loans. The student loans and bonds bear interest at a fixed margin added to one or three-month LIBOR. This margin does not change after being set, when the bonds were sold, and loans originated. Fixed-rate bonds were issued beginning in 2010 in order to finance newly originated fixed-rate loans. These rate structures result in student loan interest revenue that is closely matched to bond interest expense.

VSAC's interest expense is comprised of two elements. One is the actual interest paid by VSAC on its indebtedness. This is partially offset by an amortized deferred retirement gain on bonds which certain VSAC bonds refunded. VSAC's interest paid is significantly higher year over year due to the increase in interest rates year over year, which more than offsets the effect of decreasing loan balances. This interest cost is itself partially offset by the deferred gain which is larger year over year due to an increase in Federal loan consolidations. Net of deferred gains on early refunding, this expense represents 15.2% of VSAC's operating expenses in fiscal 2023, up from 11.7% in 2022.

The components of VSAC's interest expense for 2023 and 2022 were as follows (in thousands):

	2023	2022
Interest expense incurred on outstanding debt	$ 14,764	$ 9,855
Amortization of deferred gain on refunded debt	(4,023)	(2,588)
Bond interest expense recognized, net	$ 10,741	$ 7,267

Other Loan Financing Costs – Other loan financing expenses include a variety of other costs incurred in issuing and managing $333.0 million in outstanding bonds and notes. These costs totaled $2.8 million in fiscal 2023 and $1.5 million in fiscal 2022, representing approximately 4.0% and 2.4%, respectively, of total operating expenses in these years. A high-level breakdown of Other Loan Financing in thousands) is:

	2023	2022
U.S. Treasury rebate	$ (82)	$ (606)
FFEL Consolidation fees	1,728	2,357
FFEL Guarantor costs	7	263
Bond issuance costs	570	569
Provision for student loan losses	284	(1,479)
Other costs	324	364
Total other loan financing costs	$ 2,831	$ 1,468

Interest subject to U.S. Treasury rebate is a component of Other Loan Financing Costs. This represents earnings on tax-exempt bond-financed loans and investments that would be returned to the U.S. Treasury if the loan portfolios were completely liquidated at June 30 and all bondholders were repaid. By using interest rebates to VSAC borrowers, it is managed to mitigate the probability of a liability balance at the end of a bond life cycle.

The decreases in FFEL Consolidation fees and FFEL Guarantor costs are related to the gradual reduction of our Federal student loan portfolio as these loans pay off (see financial statement Note 4 for details regarding these loan balances).

The components of Provision for Student Loan Losses fiscal 2023 and fiscal 2022 are presented here:

	2023	2022
Write-offs of defaulted loans	$ 2,771	$ 2,977
Recoveries of loans previously written off	(1,677)	(1,853)
Year-end adjustment of loan loss reserve	(810)	(2,603)
Total Provision for Student Loan Losses	$ 284	$ (1,479)

Costs of Operations – The costs of operating VSAC's programs, as well as facilities and overhead costs, totaled $22.4 million in fiscal 2023 compared to $22.3 million in fiscal 2022. The primary components of VSAC's operating costs (in thousands) were as follows for the years ended June 30:

	2023	2022
Salaries and wages	$ 10,697	$ 10,710
Employee healthcare costs	3,138	3,465
Other employee benefit costs	2,028	1,989
Administrative expenses	6,549	6,178
Total Costs of Operations	$ 22,412	$ 22,342

Overall costs of operations represent 31.8% of total operating expenses in fiscal 2023 compared to 36.1% in 2022.

Expenses for 2023 totaled $70.5 million. Revenues including scholarship endowment donations totaled $79.9 million. The change in total net position for the year was an increase of $9.4 million. The ending balance of net position at June 30, 2023 was $217.3 million, as compared to $207.9 million at June 30, 2022.

FISCAL 2022

Fiscal 2022 Highlights and Overall Financial Position

- VSAC's total net surplus for the years ended June 30, 2022 and 2021 was $4.4 million and $5.9 million, respectively. VSAC's total net position increased to $207.9 million.
- Interest expense, which is a combination of bond interest costs offset by amortization of deferred gains on early bond retirement, decreased $0.6 million from 2021 to 2022. See Interest Costs on page 19 of Management's Discussion and Analysis for details of the components of Interest Expense.
- During the year ended June 30, 2022, VSAC provided $30.0 million in grants and scholarships to Vermont students.
- VSAC originated $39.6 million in new loans to students and parents. VSAC holds and services $527.7 million in education loans receivable and related interest at June 30, 2022.
- VSAC returned $0.9 million in interest rebates to students in its loan programs during fiscal 2022.
- In fiscal 2022, VSAC paid off the 2011A series bonds used to fund student lending activities, which released $1.3 million in cash and $1.7 million in student loans from restricted net position to unrestricted net position.
- VSAC holds student loans and variable rate notes payable whose return is linked to the London Inter Bank Offered Rate ('LIBOR'). The one-month LIBOR used as a reference rate by certain of VSAC's bonds will expire on June 30, 2023. On March 15, 2022 the President signed legislation which would smooth transition of issuers of LIBOR-based obligations to a replacement reference rate. This legislation, the Adjustable Interest Rate (LIBOR) Act of 2021, provides for the replacement of LIBOR with the Secured Overnight Financing Rate (SOFR) plus a spread adjustment.

  On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic. Local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of certain businesses and imposing limitations on travel and the size and duration of group gatherings. Most sectors experienced disruption to business operations. VSAC operated through most of fiscal 2022 in a mostly remote capacity with no significant employment or service interruptions.

  The American Rescue Plan Act of 2021 continued the Federal policy of providing support to states impacted by Covid economic impacts. Under this plan VSAC received $2.8 million as a pass through from the State of Vermont. These funds were used to support the Green Mountain Grad scholarship program.

  There is ongoing uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and additional government actions to mitigate them. Accordingly, while management expects this matter will persist, the related financial impact and duration cannot be reasonably estimated.

  During fiscal 2022 VSAC implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement changes how VSAC is required to account for certain Software as a Service transactions. The application of this accounting change requires a retroactive restatement of all prior periods presented. This restatement resulted in a decrease in Net Position as of June 30, 2020 of $15 and an increase in the change in net position of $8 for the year ended June 30, 2021. The cumulative effect of the restatement was a decrease in net position of $7 as of June 30, 2021.

Condensed Financial Information

Statements of Net Position

	2022	2021
	(In Thousands)	
Assets:		
Cash and investments	$ 119,343	$ 123,908
Education loans receivable (plus interest)	527,661	596,598
Other assets	15,294	18,061
Total assets	$ 662,298	$ 738,567
Liabilities:		
Bonds and notes payable (plus interest)	$ 423,971	$ 501,554
U.S. Treasury rebates payable	3,885	4,565
Other liabilities	15,322	14,454
Total liabilities	443,178	520,573
Deferred inflows of resources:		
Deferred inflows from leasing activity	1,350	2,002
Deferred gains on early refunding of bonds payable	9,868	12,457
Total liabilities and deferred inflows of resources	454,396	535,032
Net position:		
Net investment in capital assets	11,528	12,216
Restricted	67,181	62,334
Unrestricted	129,193	128,985
Total net position	207,902	203,535
Total liabilities, deferred inflows of resources and net position	$ 662,298	$ 738,567

Statements of Revenues, Expenses and Changes in Net Position

	2022	2021
	(In Thousands)	
Operating revenues:		
Interest earned from education loan financing	$ 27,100	$ 29,555
Other loan and guarantee program revenues	1,949	2,649
Investment interest	467	402
Vermont state appropriations	22,291	20,004
Federal grants	8,509	8,681
Scholarship and gift income	4,989	4,948
Facility lease revenue	712	711
529 plan revenue	786	699
Other (loss) income	(1,079)	2,004
Total operating revenues	65,724	69,653
Operating expenses:		
Grants and scholarships	29,961	28,978
Interest rebated to borrowers	910	578
Interest on debt, net of amortization	7,267	7,903
Other loan financing costs	1,468	4,038
Corporate operating expenses and depreciation	22,342	22,379
Total operating expenses	61,948	63,876
Change in net position from operations	3,776	5,777
Contributions to permanent scholarship endowment	591	118
Change in net position	4,367	5,895
Net position, beginning of year	203,535	197,640
Net position, end of year	$ 207,902	$ 203,535

Net Position

Cash and investment balances decreased $4.6 million from June 30, 2021 to June 30, 2022 from $123.9 million to $119.3 million. The cash balance associated with restricted bonds decreased $20.1 million during this time. Unrestricted cash increased $14.1 million during the year due primarily to corporate loan collections and temporary cash investment returns.

Student loans and interest receivable totaled $527.7 million at June 30, 2022, down from $595.6 million in 2021. This decrease is due to overall loan principal collections exceeding new loan originations in the VSAC private loan program.

Bonds and notes payable decreased $77.6 million from $501.6 million at June 30, 2021 to $424.0 million at June 30, 2022. VSAC's financing activity in 2022 was comprised primarily of the following (in millions):

Principal payments, 2012-13-14 variable rate notes	$	(55.2)
Principal payments, VSAC fixed rate bonds		(41.2)
Issuance of 2022A student loan financing bond		20.4
Premium/discount amortization		(1.6)
	$	(77.6)

The 2012, 2013 and 2014 variable rate notes, which were issued in those years to refund auction rate bonds, letter of credit bonds, and the ABCP Conduit note, include a feature which requires periodic calculations of available cash used to pay bond principal. For more information regarding bonds and notes payable, see Note 10 to the basic financial statements.

U.S. Treasury rebates payable is described in the expense discussion. This liability decreased as of June 30, 2022 to $3.9 million from $4.6 million as of June 30, 2021.

Unrestricted net position increased from $129.0 million at June 30, 2021 to $129.2 million at June 30, 2022. Including the Net Investment in Capital Assets section of Net Position, the year over year decrease is $0.5 million. VSAC's unrestricted net position at June 30, 2022 and 2021 consists of the following (in millions):

	2022	2021
Cash and investments	$ 45.8	$ 31.7
Investment in student loans and related interest	62.9	75.6
Physical plant	11.3	11.9
Subordinated VSAC bonds	22.5	22.5
Other	(1.8)	(0.5)
Total unrestricted including Net Investment in Capital Assets	$ 140.7	$ 141.2

Restricted net position increased from $62.3 million at June 30, 2021 to $67.2 million at June 30, 2022. This increase was primarily in the bond funds due to the operating surplus in those funds. Of the $67.2 million, $55.6 million is restricted by bond resolutions. The remaining $11.6 million is restricted for scholarships and grants and for programs to encourage students to pursue higher education.

Revenues

VSAC's fiscal 2022 financial results increased net position by $4.4 million. All revenues, except donations to the permanent scholarship endowment, are considered operating revenues. VSAC realized $65.7 million in operating revenues versus $61.9 million in total expenses. VSAC revenues include interest income on student loans, various federal interest subsidies and special allowance payments, State of Vermont appropriations, fees earned in the federal guarantee program, and lease revenues.

Overall loan revenue of VSAC is closely related to the general interest rate environment and the amount of loans outstanding. During 2022, loan revenue decreased from $29.6 to $27.1 million. The components of loan revenue are as follows (in thousands):

	2022	2021
U.S. Department of Education interest benefits	$ 289	399
U.S. Department of Education special allowance	377	231
Borrower interest and fees on student loans	31,588	35,274
Borrower interest paid to Department of Education	(5,154)	(6,349)
	$ 27,100	29,555

No new FFEL Program loans have been created since June 30, 2010. This affects the components of loan revenue differently:

- Interest for certain loans is paid by ED as a subsidized interest benefit on qualifying borrowers. This item decreased because the population of loans which qualify for this benefit is declining.
- ED also pays special allowance payments under certain interest rate conditions. This item increased because the impact of decreasing eligible loan balances was more than offset by the impact of increasing interest rate indices (LIBOR) which increase these payment.
- Although VSAC originates new non-guaranteed loans, the population of ED-guaranteed loans is paying down more rapidly, resulting in decreased borrower interest and fees.
- Certain borrower interest revenues which exceed the special allowance formulae must be paid to ED each quarter. The amount paid decreased for reasons similar to the special allowance change.

Interest rate risk on student loan assets is managed by closely matching the coupon rate reset frequency of our debt instruments with rates that drive our loan returns. Our private loan financing bonds are issued with fixed interest rates. The student loans pledged to these bonds (2010 and later VSAC Private loans) also have fixed interest rates. All other outstanding student loan bonds and notes have variable interest rates reset on periodic intervals based on short-term LIBOR rates. The earnings on loans pledged to these bonds have variable interest rates based on short-term LIBOR rates with similar reset frequencies.

Other revenues associated with the loan and loan guarantee programs include consolidation fees, rehabilitation fees, default aversion fees, collections revenues, and other program fees and revenues. These fees and revenues decreased from $2.6 million in fiscal 2021 to $1.9 million in fiscal 2022. This decrease is primarily due to decreased volumes of FFEL program loans outstanding which generate these revenues.

Interest rates on cash positions were higher during the year ended June 30, 2022, resulting in higher interest earnings over the prior year. Investments include unrestricted, student loan and scholarship funds temporarily invested in short-term investments, and scholarship endowment funds invested for long-term growth and income. Other gains (losses) related to investing, both realized gains (losses) on sales and unrealized gains (losses) on appreciated (depreciated) assets held at year-end, are reflected in the Other Income line and were $(1.4) million in 2022 and $1.7 million in 2021.

VSAC's State revenue recognized increased to $22.3 million in 2022 from $20.0 million in 2021. State appropriation support including amounts reported as grants and scholarship income increased from $20.0 million to $23.2 million. The difference between total State appropriation support and VSAC State revenue recognized is related to amounts which are not intended for the State need-based grant program and which VSAC records as scholarship support. The state appropriation increased mainly due to a new $1.9 million appropriation in fiscal 2022 for the 802 Opportunity Grant program.

Federal grants were $7.7 million in fiscal 2022 and $8.7 million in fiscal 2021. The decrease was primarily due to one-time Federal COVID-19 relief funds received in fiscal 2021 as a pass through from the State of Vermont, partially offset in fiscal 2022 by the new Green Mountain Grad program, funded with Federal resources. Except Federal scholarship funds and the COVID-19 relief program, Federal grants revenues are applied for only after VSAC has incurred expenses for administration and program activities associated with those grants. Federal scholarship funds are received in the year of their Federal budget authorization and revenues recognized by VSAC as awards are disbursed.

Scholarship revenues, representing the use of restricted gifts and grants, increased from $4.9 million in 2021 to $5.8 million in 2022. Additionally, donations of new permanent scholarship endowment funds, a non-operating item, were $0.6 million and $0.1 million in 2022 and 2021, respectively.

In fiscal 2019, VSAC began leasing excess office space in its facility. The revenues recognized under these leases was $712 thousand and $711 thousand in fiscal 2022 and fiscal 2021, respectively. VSAC earns fees used for administration and marketing the State's 529 higher education savings plan. These fees were $786 thousand and $699 thousand in fiscal 2022 and fiscal 2021, respectively. VSAC's revenue for this item is calculated based on the total market value of invested assets.

Expenses

VSAC has four main types of expenses: 1. Student aid, 2. Interest and other costs of debt, 3. Noninterest costs of financing loans, and 4. Costs of operations.

Student Aid – VSAC provided Vermont students with $30.0 million in student aid during fiscal 2022. Of this amount, $20.4 million in grant aid was provided from State appropriations and COVID-19 relief funds. An additional $9.6 million was made available through various scholarship programs managed by VSAC. Direct aid in the form of grants and scholarships represented 48.4% of VSAC's operating expenses in fiscal 2022 compared to 45.4% in 2021.

While not strictly a student aid expense, interest rebated to borrowers helps current and former students and parents manage their education debt. VSAC provided $0.9 million in rebates of interest to borrowers in 2022, which represents 1.5% of VSAC's operating expenses in fiscal year 2022 compared to 0.9% in 2021.

It is also important to note that, while not an expense to the Corporation, a significant portion of aid to students is the $39.6 million in new loans VSAC made available to students and parents in fiscal 2022.

Interest Costs – In order to provide Vermont students and parents with low-cost loans, VSAC issued two types of bonds that remain outstanding as of June 30, 2022 and 2021, fixed rate and variable rate. The interest costs of the bonds represent a major expense category for VSAC. The variable-rate notes were issued to refinance VSAC's auction-rated securities and are supported by variable-rate student loans. The student loans and bonds bear interest at a fixed margin added to one or three-month LIBOR. This margin does not change after being set, when the bonds were sold, and loans originated. Fixed-rate bonds were issued beginning in 2010 in order to finance newly originated fixed-rate loans. These rate structures result in student loan interest revenue that is closely matched to bond interest expense.

Bonds and notes issued in prior years are paying down faster than VSAC's new fixed-rate bond issuances, resulting in a decrease in debt outstanding during the year. This decrease in VSAC's bond and note balances is the primary driver of the decrease in interest expense year over year. While VSAC's interest costs before the amortization of deferred gains on early refunding of bonds payable increased due to higher LIBOR interest rate indices affecting the variable-rate notes beginning late in fiscal 2020 and continuing through fiscal 2022, this was more than offset by the impact of decreasing bond balances overall. Net of deferred gains on early refunding, this expense represents 11.7% of VSAC's operating expenses in fiscal 2022, down from 12.4% in 2021.

The components of VSAC's interest expense for 2022 and 2021 were as follows (in thousands):

	2022	2021
Interest expense incurred on outstanding debt	$ 9,855	$ 10,768
Amortization of deferred gain on refunded debt	(2,588)	(2,865)
Bond interest expense recognized, net	$ 7,267	$ 7,903

Other Loan Financing Costs – Other loan financing expenses include a variety of other costs incurred in issuing and managing $424.0 million in outstanding bonds and notes. These costs totaled $1.5 million in fiscal 2022 and $4.0 million in fiscal 2021, representing approximately 2.4% and 6.3%, respectively, of total operating expenses in these years. A high-level breakdown of Other Loan Financing in thousands) is:

	2022	2021
U.S. Treasury rebate	$ (606)	$ 388
FFEL Consolidation fees	2,357	2,745
FFEL Guarantor costs	263	339
Bond issuance costs	569	626
Provision for student loan losses	(1,479)	(475)
Other costs	364	415
Total other loan financing costs	$ 1,468	$ 4,038

Interest subject to U.S. Treasury rebate is a component of Other Loan Financing Costs. This represents earnings on tax-exempt bond-financed loans and investments that would be returned to the U.S. Treasury if the loan portfolios were completely liquidated at June 30 and all bondholders were repaid. By using interest rebates to VSAC borrowers, it is managed to mitigate the probability of a liability balance at the end of a bond life cycle.

The decreases in FFEL Consolidation fees and FFEL Guarantor costs are related to the gradual reduction of our Federal student loan portfolio as these loans pay off (see financial statement Note 4 for details regarding these loan balances).

The components of Provision for Student Loan Losses fiscal 2022 and fiscal 2021 are presented here:

	2022	2021
Write-offs of defaulted loans	$ 2,977	$ 1,609
Recoveries of loans previously written off	(1,853)	(1,405)
Year-end adjustment of loan loss reserve	(2,603)	(679)
Total Provision for Student Loan Losses	$ (1,479)	$ (475)

The increase in write offs is related to the expiration of certain COVID moratoria on the defaulting of student loans. The increase in recoveries is related to the increase in defaults as well as to a new VSAC program for rehabilitating previously defaulted non-Federal loans. The change in the year end reserve adjustment is related to the ongoing paydown of student loan balances.

Costs of Operations – The costs of operating VSAC's programs, as well as facilities and overhead costs, totaled $22.3 million in fiscal 2022 compared to $22.4 million in fiscal 2021. The primary components of VSAC's operating costs (in thousands) were as follows for the years ended June 30:

	2022	2021
Salaries and wages	$ 10,710	$ 10,735
Employee healthcare costs	3,465	3,343
Other employee benefit costs	1,989	2,010
Administrative expenses	6,178	6,291
Total Costs of Operations	$ 22,342	$ 22,379

Overall costs of operations represent 36.1% of total operating expenses in fiscal 2022 compared to 35.0% in 2021.

Expenses for 2022 totaled $61.9 million. Revenues including scholarship endowment donations totaled $66.3 million. The change in total net position for the year was an increase of $4.4 million. The ending balance of net position at June 30, 2022 was $207.9 million, as compared to $203.5 million at June 30, 2021.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF NET POSITION

June 30, 2023 and 2022

ASSETS

	2023	2022
	(In Thousands)	
Current assets:		
Cash and cash equivalents	$ 63,383	$ 58,076
Receivables		
Student loans, net	53,059	79,889
Student loan interest and special allowance	14,167	14,018
Investment interest	150	36
Federal administrative and program fees	39	64
Facility lease receivable	864	805
Other	1,252	1,076
Other assets	429	366
Total current assets	133,343	154,330
Noncurrent assets:		
Restricted cash	41,768	52,432
Scholarship endowment investments	9,982	8,835
Facility lease receivable	644	1,075
Student loans receivable, net	383,546	433,754
Capital assets, net	10,974	11,872
Total noncurrent assets	446,914	507,968
Total assets	$ 580,257	$ 662,298

The accompanying notes are an integral part of these financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF NET POSITION (CONCLUDED)

June 30, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
	(In Thousands)	
Current liabilities:		
Bonds and notes payable	$ 12,675	$ 10,135
Accounts payable and other liabilities	3,318	3,021
Accrued interest on bonds payable	495	451
Subscription-based information technology arrangements (SBITA)	27	344
Unearned revenue	13,684	9,956
Total current liabilities	30,199	23,907
Noncurrent liabilities:		
Bonds and notes payable	319,867	413,385
Accrued liabilities	2,073	2,001
Subscription-based information technology arrangements (SBITA)	84	-
U.S. Treasury rebates payable	3,750	3,885
Total noncurrent liabilities	325,774	419,271
Total liabilities	355,973	443,178
Deferred inflows of resources:		
Deferred facility lease revenue	1,179	1,350
Deferred gains on early refunding of bonds payable	5,846	9,868
Total deferred inflows of resources	7,025	11,218
Total liabilities and deferred inflows of resources	362,998	454,396
Net position:		
Net investment in capital assets	10,863	11,528
Restricted	76,504	67,181
Unrestricted	129,892	129,193
Total net position	217,259	207,902
Total liabilities, deferred inflows of resources and net position	$ 580,257	$ 662,298

The accompanying notes are an integral part of these financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2023 and 2022

	2023	2022
	(In Thousands)	
Operating revenues:		
Interest and fees on student loans:		
U.S. Department of Education interest benefits	$ 187	$ 289
U.S. Department of Education special allowance	4,026	377
Borrower interest and fees on student loans	29,290	31,588
Borrower interest returned to U.S. Department of Education	(757)	(5,154)
Vermont state grants	25,494	22,291
Interest on cash and investments	3,984	467
Guarantee agency administrative revenues	1,778	1,949
Federal grants	6,558	8,509
Scholarship and gift income	6,351	4,989
Facility lease revenue	722	712
529 Plan revenue	751	786
Other (loss) income	1,098	(1,079)
Total operating revenues	79,482	65,724
Operating expenses:		
Interest, net of amortization of bond premium and deferred gains on early refunding of bonds payable	10,741	7,267
Salaries and benefits	15,863	16,164
Grants and scholarships	34,322	29,961
Interest rebated to borrowers	271	910
Other general and administrative	5,751	5,379
Interest subject to U.S. Treasury rebate	(82)	(606)
Consolidation and lender paid fees	1,728	2,357
Other loan related expenses	331	627
Change in provision for losses on student loans	284	(1,479)
Depreciation	798	799
Bond issuance costs	570	569
Total operating expenses	70,577	61,948
Change in net position from operations	8,905	3,776
Contributions to permanent scholarship endowment	452	591
Change in net position	9,357	4,367
Net position, beginning of year	207,902	203,535
Net position, end of year	$ 217,259	$ 207,902

The accompanying notes are an integral part of these financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
	(In Thousands)	
Cash flows from operating activities:		
Cash received from customers, donors and governments	$ 27,684	$ 21,025
Principal payments received on student loans	122,540	116,323
Cash paid to suppliers for goods and services	(7,685)	(8,541)
Grants and scholarship disbursements	(34,322)	(29,961)
Loans made	(39,550)	(39,629)
Cash paid to employees for salaries and benefits	(15,922)	(16,150)
Interest and fees received on student loans	18,703	18,342
Vermont state appropriations received	25,494	22,291
Net cash provided by operating activities	96,942	83,700
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds payable	20,813	20,449
Payments on bonds payable	(110,175)	(96,352)
Interest paid to bond holders	(16,335)	(11,535)
Net cash used by noncapital financing activities	(105,697)	(87,438)
Cash flows from capital and related financing activities:		
Principal and interest paid for SBITA	(348)	(330)
Acquisition and construction of capital assets	(124)	(132)
Net cash used by capital and related financing activities	(472)	(462)
Cash flows from investing activities:		
Interest received on cash and investments	3,870	431
Contributions to permanent scholarship endowment	452	591
Purchase of investments	(955)	(1,229)
Proceeds from sale of investments	503	702
Net cash provided by investing activities	3,870	495
Net decrease in cash and cash equivalents	(5,357)	(3,705)
Cash and cash equivalents, beginning of year	110,508	114,213
Cash and cash equivalents, end of year	$ 105,151	$ 110,508
Supplemental disclosure of non-cash operating activities:		
Student loan interest capitalized	$ 6,294	$ 6,296

The accompanying notes are an integral part of these financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF CASH FLOWS (CONCLUDED)

Years Ended June 30, 2023 and 2022

	2023	2022
	(In Thousands)	
Reconciliation of change in net position from operations to net cash provided by operating activities:		
Change in net position from operations	$ 8,905	$ 3,776
Adjustments to reconcile change in net position from operations to net cash provided by operating activities:		
Depreciation	798	799
Change in provision for losses on student loans	284	(1,479)
Net amortization of bond premium	(1,616)	(1,671)
Amortization of SBITA	341	353
Amortization of deferred facility lease revenue	(657)	(652)
Amortization of deferred gains on early refunding of bonds payable	(4,023)	(2,588)
Net realized and unrealized gains on investments	(695)	1,387
Investment interest received	(3,870)	(431)
Interest paid to bond holders	16,335	11,535
Lease receivable payments, net of fit up costs paid	858	784
Changes in operating assets and liabilities:		
Investment interest receivable	(114)	(36)
Student loans receivable	76,754	71,044
Student loan interest receivable	(149)	(628)
Federal administrative and program fees receivable	25	21
Other receivables	(176)	931
Other assets	(63)	46
Accounts payable and other liabilities	369	372
Unearned revenue	3,727	826
Accrued interest on bonds payable	44	(9)
U.S. Treasury rebates payable	(135)	(680)
Total adjustments	88,037	79,924
Net cash provided by operating activities	$ 96,942	$ 83,700

The accompanying notes are an integral part of these financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

FIDUCIARY FUND FINANCIAL STATMENTS

VERMONT HIGHER EDUCATION INVESTMENT PLAN (NOTE 5)

June 30, 2023 and 2022

STATEMENTS OF NET POSITION

	June 30, 2023	June 30, 2022
Assets Held for Others		
Cash	$ 712	$ 635
Investments	594,980	533,146
Total assets	$ 595,692	$ 533,781
Liabilities		
Accounts payable & other liabilities	155	143
Total liabilities	155	143
Net Position		
Restricted for program benefits	595,537	533,638
Total net position	595,537	533,638
Total liabilities and net position	$ 595,692	$ 533,781

STATEMENTS OF ADDITIONS, DEDUCTIONS AND CHANGES IN NET POSITION

	Year ending June 30, 2023	Year ending June 30, 2022
Additions		
Participant Contributions	71,833	78,160
Interest and investment income	14,515	15,427
Net increase(decrease) in fair value of investments	32,366	(80,444)
Total additions	118,714	13,143
Deductions		
Participant withdrawals	54,970	51,323
Administrative expenses	1,845	1,929
Total deductions	56,815	53,252
Change in Net Position	61,899	(40,109)
Net Position, beginning of year	533,638	573,747
Net Position, end of year	$ 595,537	$ 533,638

The accompanying notes are an integral part of these financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

FIDUCIARY FUND FINANCIAL STATMENTS

U.S. DEPARTMENT OF EDUCATION – FEDERAL RESERVE FUND (NOTE 6)

June 30, 2023 and 2022

STATEMENT OF NET POSITION

	June 30, 2023	June 30, 2022
Assets Held for Others		
Cash	$ 9,693	$ 10,642
Other assets	511	679
Total assets	10,204	11,321
Liabilities		
Accounts payable & other liabilities	466	411
Total liabilities	466	411
Net Position		
Restricted for other purposes	9,738	10,910
Total net position	9,738	10,910
Total liabilities and net position	$ 10,204	$ 11,321

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year ending June 30, 2023	Year ending June 30, 2022
Additions		
Reimbursement from ED on default loan purchases	7,095	6,284
Default loan collections	63	110
Investment income	334	25
Other loan administrative revenues	498	2,988
Total additions	7,990	9,407
Deductions		
Purchases of defaulted loans from lenders	7,086	6,261
Other deductions	2,076	5,439
Total deductions	9,162	11,700
Change in Net Position	(1,172)	(2,293)
Net Position, beginning of year	10,910	13,203
Net Position, end of year	$ 9,738	$ 10,910

The accompanying notes are an integral part of these financial statements.

1. Authorizing Legislation

The Vermont Student Assistance Corporation (VSAC) was created as a public nonprofit corporation by an act of the General Assembly of the State of Vermont (the State) as an instrumentality of the State in accordance with the provisions of the *Higher Education Act of 1965*, as amended (the Act). The purpose of VSAC is to provide opportunities for Vermont residents to pursue postsecondary education by awarding grants and guaranteeing, making, financing, and servicing loans to students. VSAC also administers scholarships and outreach services to students seeking postsecondary education. In addition, VSAC manages the Vermont Higher Education Investment Plan (VHEIP).

Pursuant to Vermont statutes, VSAC is responsible for the administration of the Loan Finance Program. Under this program, VSAC originates, purchases, and services education loans. The majority of education loans are financed through the issuance of limited obligation bonds or credit facilities and are guaranteed by VSAC as a guarantor and reinsured by the U.S. Department of Education (ED) through the Federal Family Education Loan (FFEL) Program. In March 2010, Congress passed the *Student Aid and Fiscal Responsibility Act* which had the effect of ending new FFEL Program loan originations after June 30, 2010. The bonds, notes and credit facilities outstanding are payable primarily from interest and principal repayments on the financed loans as specified in the underlying resolutions authorizing the sale of the bonds and notes. The bonds and notes are not a general obligation of VSAC or an obligation of the State or any of its political subdivisions.

For financial reporting purposes, VSAC is considered a component unit of the State and is included as part of the State's financial reporting entity. VSAC's relationship with the State consists primarily of an annual appropriation designated for grant aid to Vermont students. Additionally, VSAC is permitted to issue bonds using Vermont tax-exempt private activity bond cap and State moral obligation.

The Vermont Student Development Fund, Inc. (the Fund), a separate nonprofit Internal Revenue Code (IRC) Section 501(c)(3) corporation, was established in November of 2000. The primary purpose of the Fund is to receive, hold and manage securities, cash or other property whether real, personal or mixed, acquired by bequest, devise, gift, purchase or loan. These assets are used primarily for scholarships and other financial assistance to benefit qualified individuals seeking a postsecondary education. The Fund provides a financial benefit to VSAC, and its Board of Directors is the same as the VSAC Board of Directors; therefore, it is considered a blended component unit of VSAC and is included in the totals on the financial statements. See note 19 for condensed financial statements of this component unit. The Internal Revenue Service (IRS) Form 990 of the Fund is a publicly available document and includes the basic financial statements of this component unit. It can be obtained at the website www.guidestar.org.

2. Summary of Significant Accounting Policies

Basis of Accounting

VSAC follows the accrual basis of accounting, using the economic resources measurement focus, whereby revenues are recorded when earned and expenses are recorded when obligation for payment is incurred.

The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and 34*, and No. 38, *Certain Financial Statement Note Disclosures*. VSAC reports as a business-type activity, as defined, in GASB Statement No. 34. Additionally, VSAC has adopted Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which is intended to codify all sources of U.S. generally accepted accounting principles for state and local governments so that they can be found in one source.

In January 2017, GASB issued statement No. 84, *Fiduciary Activities*. Under this statement balances previously reported in agency funds are either consolidated with the statements of VSAC or separately reported as fiduciary funds. VSAC had previously incorrectly reported the Federal Reserve Fund and VHEIP as agency funds; going forward these will be reported as fiduciary funds with the Federal Reserve Fund being a custodial fund and VHEIP being a Private Purpose Trust. VSAC corrected this error during fiscal 2023 which required restatement of previously reported elements of agency/fiduciary financial condition and results of operations.

> For VHEIP the Net Position as of June 30, 2021 increased by $573,747; as of June 30, 2022 it increased $533,638. These amounts had previously been reported as amounts held on behalf of investors(liabilities). The overall results of operations for this fund for fiscal 2022 did not change although certain elements of additions and deductions were restated to conform to the new statement.
>
> For the Federal Reserve Fund the Net Position as of June 30, 2021 increased by $13,203; as of June 30, 2022 it increased $10,910. These amounts had previously been reported as amounts held for the U.S. Department of Education(liabilities). The results of operations of this fund for fiscal 2022 did not change.

In March 2020, GASB issued statement No. 93, *Replacement of Interbank Offered Rates*. This statement is effective for financial statement reporting periods ending after December 31, 2021, and earlier application is encouraged. VSAC has outstanding certain variable-rate bonds whose periodic interest rate resets are based on 1 month LIBOR plus a margin. VSAC also has certain outstanding Federal student loans whose total return is based on 1 and 3 month LIBOR. On March 15, 2022 the President signed legislation which would smooth transition of issuers of LIBOR-based obligations to a replacement reference rate. This legislation, the Adjustable Interest Rate (LIBOR) Act of 2021, provides for the replacement of LIBOR with the Secured Overnight Financing Rate (SOFR) plus a spread adjustment. The 1 month and 3 month LIBOR rates used as reference rates by certain of VSAC's loans and bonds will expire after June 30, 2023. Effective July 1, 2023 LIBOR has no longer been published and VSAC in accordance with the LIBOR Act has transitioned to the use of the SOFR plus the legislated spread

2. Summary of Significant Accounting Policies (Continued)

adjustment. VSAC believes this transition will result in no material impact to net position or results of operations.

In June of 2022 GASB issued statement No. 101, *Compensated Absences*. This statement is effective for financial statements for periods beginning after December 15, 2023, and earlier application is encouraged. This statement requires that estimated liabilities for certain compensated employee absences be reflected in the financial statements. Per the statement this includes liabilities for leave categories which do not vest, such as sick leave. The application of this accounting change requires a retroactive restatement of all prior periods presented and disclosure of the effects of the change. VSAC implemented this pronouncement during the year ended June 30, 2023, resulting in a decrease in Net Position as of June 30, 2021 of $2,273 and a decrease in the change in net position of $89 for the year ended June 30, 2022. The cumulative effect of the restatement was a decrease in net position of $2,362 as of June 30, 2022.

Restrictions on Net Position

The restricted net position of VSAC is restricted by the credit resolutions, state statutes, donor restrictions, or various Federal regulations and program agreements and is restricted for the origination of student loans, payment of debt service on bonds and notes payable, and grant and scholarship activities. Financial activities and resulting account balances which are not so restricted are presented in the Statements of Net Position as unrestricted net position.

Net Investment in Capital Assets

Net investment in capital assets includes capital assets, net of the accumulated depreciation and any outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets. It also includes unamortized bond premium or discounts related to any outstanding debt attributable to these assets.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires VSAC management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimate utilized in the preparation of the financial statements of VSAC relates to the allowance for losses on student loans.

Cash Equivalents

VSAC considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents include funds held in an institutional money market fund account.

2. Summary of Significant Accounting Policies (Continued)

Student Loans

Student loans consist of guaranteed and nonguaranteed loans made to undergraduate, graduate, or professional students, and parents of students attending eligible postsecondary educational institutions. Student loans also include consolidation loans, which are loans to eligible students that refinance existing student loans.

Student loans are stated at their unpaid principal balance, net of allowance for estimated loan losses. Private loan origination fee revenue received from borrowers is recognized as revenues as received in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Allowance for Loan Losses

VSAC issues loans that are not guaranteed against default and continues to hold and service these loans as well as loans guaranteed under the FFEL Program. Loans not guaranteed represent the greatest loss exposure for VSAC and make up the majority of management's loan loss allowance. The amount of the allowance, which is established through a provision for losses on student loans charged to expense, is based on management's estimation of the probable losses within the portfolio. Primary considerations in establishing the allowance are the loan portfolio balances and composition, amortization or age of the portfolio, delinquencies, current economic conditions, and historical loss experience. The loss exposure for nonguaranteed loans is 100% of estimated defaults unadjusted for estimated future recoveries. For guaranteed loans, the loss exposures are either 2% or 3% of estimated defaults based on the origination date of the loan.

Operating and Non-Operating Revenues and Expenses

Operating revenues include interest earned on student loans and investments, fees received from providing services, state appropriations, and grant and scholarship revenue. Operating expenses include interest on bonds, the costs of providing services and operating all programs, and grant and scholarship awards. Contributions of funds for permanent scholarship endowments are considered non-operating revenues.

Investments

Investments are carried at fair value in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and No. 72, *Fair Value Measurement and Application*.

VSAC invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the financial statements.

(Dollars in Thousands)

2. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are stated at historical cost. Depreciation of capital assets that are placed in service is calculated using the straight-line method over the estimated useful lives of the assets. VSAC's estimated useful lives by asset category are:

Land	N/A
Furniture and equipment	3 – 15 years
Software	3 – 5 years
Building	5 – 30 years

The value of Subscription Based Information Technology Arrangements (SBITA) is included in the category of Capital Assets. They are valued at their original calculated value less accumulated amortization. Amortization is recognized over the term of the relevant arrangements.

The minimum for capitalization of long-lived asset acquisitions is $10.

Bond Issuance Costs

Costs of bond issuances, which are comprised of underwriters' fees, legal fees and other related financing costs, are recognized as expenses as incurred in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Bond Discount/Premium and Deferred Gain/Loss on Refunding

Bond discounts and premiums are amortized using a method which approximates the level yield method over the life of the bonds. Any deferred gains or losses related to refinanced bonds are included in deferred inflows of resources or deferred outflows of resources, respectively, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The deferred gains or losses are amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. During the years ended June 30, 2023 and 2022, interest expense has been reduced by $4,023 and $2,588, respectively, for the amortization of the deferred gains on early refunding of bonds payable.

Leases

In accordance with GASB Statement No. 87, *Leases*, the discounted value of future lease payments and receipts is included in deferred outflows or deferred inflows of resources respectively. VSAC has leases with third-party tenants who lease portions of its physical premises. The present value of these leases is valued at inception and periodically revalued in accordance with GASB Statement No. 87 and presented as a deferred inflow of resources. These deferred inflows are amortized as lease revenue in a systematic and rational manner over the life of the lease. During the years ended June 30, 2023 and 2022, $722 and $712, respectively, was recognized as facility lease revenue.

2. Summary of Significant Accounting Policies (Concluded)

Grants

Unrestricted grants are recorded as revenue when received. Restricted grants are recorded as revenue upon compliance with the restrictions. Amounts received for grant programs that are restricted are recorded in unearned revenue and recognized when all eligibility requirements are met. When both restricted and unrestricted resources are available to satisfy an expense when it is incurred, VSAC uses restricted resources first.

FFEL Program Support

VSAC receives a percentage of the amounts collected on defaulted loans, an origination fee, a portfolio maintenance fee and a default aversion fee from ED as its primary support for the administration of the FFEL Program. These fees are recorded as guarantee agency administrative revenues when earned, as the services are provided.

Compensated Absences

Employees may accumulate, subject to certain limitations, unused vacation earned and upon retirement, termination or death may be compensated for certain amounts at their then current rates of pay. The amount of vacation is recognized as expense as the amount is earned and this obligation is accrued. As referenced above under *Basis of Accounting* during the year ended June 30, 2023 VSAC adopted GASB statement number 101 which requires the recording of a liability for the estimated value of compensated absences which have accrued to the employees' benefit but which do not vest, such as medical leave. VSAC has calculated this value as the total accrued leave as of year-end reduced by estimated future forfeitures resulting from employee departures. The accruals for compensated absences are a component of the accounts payable and other liabilities line under current assets in the Statement of Net Position; the non-current portion is a component of accrued liabilities under non-current liabilities.

Income Tax Status

VSAC is exempt from Federal and State income taxes under Section 115 of the IRC and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

3. Cash, Cash Equivalents and Investments

VSAC's deposit and investment policies comply with the underlying bond resolution requirements. In accordance with those bond resolutions, all deposits and investments are held in specific classes of investment vehicles including: bank time deposits, certificates of deposit, direct obligations of the United States of America unconditionally guaranteed by the United States of America, indebtedness issued by certain Federal agencies, collateralized repurchase agreements secured by obligations of the United States of America with collateral held by or at the direction of the trustee, guaranteed investment contracts with banks or bank holding companies, commercial paper and open ended investment funds. Funds not related to the various bond resolutions may also be invested in domestic equities or corporate bonds.

(Dollars in Thousands)

3. Cash, Cash Equivalents and Investments (Continued)

Cash and Cash Equivalents

The carrying amounts which represent both cost and fair value of cash and cash equivalents as of June 30, 2023 and 2022 are presented below:

	2023	2022
Cash	$64,448	$ 59,086
Money market accounts	40,703	51,422
Total carrying value	$ 105,151	$110,508

Effective April 2, 2022 M&T Bank Corporation completed the acquisition of VSAC's primary banking partner Peoples United Financial Inc. During the year ending June 30, 2023 VSAC transitioned to the facilities and operating systems of M&T Bank which are substantially identical to those of Peoples Bank.

At June 30, 2023 and 2022, cash is comprised of various commercial bank accounts. The bank balances at June 30, 2023 were $64,637 and the bank balances at June 30, 2022 were $59,532. The difference between the net bank balances and the amounts recorded on the financial statements is outstanding checks and deposits in transit. As of June 30, 2023, $649 of the bank balances were covered by Federal Deposit Insurance Corporation (FDIC) insurance, $64,637 of the bank balances were secured using a collateralization agreement with M&T Bank, and the remaining bank balances are uncollateralized.

At June 30, 2023 and 2022, the money market accounts are primarily invested in the Fidelity Institutional Money Market Prime Money Market Portfolio Class 1. This fund invests in U.S. dollar-denominated money market securities of domestic and foreign issuers rated in the highest category by at least two nationally recognized rating services, U.S. Government securities, and repurchase agreements.

The bond and note indentures require certain cash and cash equivalent reserves. At June 30, 2023 and 2022, $41,768 and $52,432, respectively, of restricted cash is limited to its use for the repayment of bond and note obligations.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Under the Vermont Student Development Fund (the Scholarship Fund) policy, VSAC mitigates its credit risk by requiring marketable bonds, debentures, notes, or instruments to be rated BBB or better by Standard and Poor's and Baa or better by Moody's Investors Service. Operating and bond-restricted funds are invested in highly rated liquid investments with a primary objective of principal preservation.

Concentration of Credit Risk: The concentration of credit risk is the risk of loss that may be caused by VSAC's investment in a single issuer. While diversification is a strategic investment objective, VSAC places no defined limit on the amount of investments in any one issuer. Under VSAC policy, all non-scholarship funds are held in liquid investments whose primary objective is preservation of capital. Under the Scholarship Fund policy, approximately 60% of the total portfolio is targeted for investment in equity index funds, balanced 80/20 between domestic and international index funds.

3. <u>Cash, Cash Equivalents and Investments (Continued)</u>

For all periods presented, the Scholarship Fund held all long-term investments in three index funds, one each for domestic and developed market international equities and intermediate-term U.S. Treasury fixed income securities. Since the equity funds are 'total market' equity index funds, VSAC believes it is not exposed to credit concentration risk from this source as of June 30, 2023 and 2022. Investments in intermediate term U.S. Government bonds represent 53% and 52% of VSAC's scholarship investments at June 30, 2023 and 2022, respectively.

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, VSAC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. VSAC is not exposed to custodial credit risk due to the fact that all of the investments are held by VSAC's agent in VSAC's name.

Interest Rate Risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, VSAC manages its exposure to declines in fair values by only investing in debt securities through a U.S. Treasury index fund holding securities with maturities between 3 to 10 years.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy permits a maximum of 20% of the fair value of the equity portfolio to be invested in foreign securities, which equates to 11%-13% of total investments. VSAC invests only in a developed countries index fund (denominated in USD) in working within this policy. At June 30, 2023 and 2022 VSAC's investment in this fund represents 12% and 11% of scholarship investments respectively.

<u>Fair Value Measurement</u>

GASB Statement No. 72, *Fair Value Measurement and Application,* establishes a fair value hierarchy for investments that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are securities listed in active markets. VSAC has valued its investments, listed on national exchanges, at the last sales price as of the day of the valuation.
- Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets which are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include discounted cash flow models and similar techniques.

(Dollars in Thousands)

3. Cash, Cash Equivalents and Investments (Concluded)

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with those investments.

As referenced above, VSAC's permanent endowment investments are invested in index funds rather than in individual securities. Since these investments comprise the permanent endowment assets of the Scholarship Fund, it is not anticipated that these funds would be liquidated, although relative positions are rebalanced periodically in accordance with the endowment's investment policy. The amounts permitted to be spent each year are calculated and withdrawn for the coming academic year in accordance with the directives of the donors.

VSAC held the following investments at June 30, 2023 and 2022:

	2023			2022		
	Cost	Fair Value	Level	Cost	Fair Value	Level
Domestic equities index funds	$ 2,927	$ 4,864	1	$ 2,827	$ 4,120	1
International equities index funds	1,016	1,193	1	969	1,011	1
Government bonds and notes index funds	4,459	3,925	1	4,084	3,704	1
	$ 8,402	$ 9,982		$ 7,880	$ 8,835	

Fair value is best determined based upon quoted market prices. However, in some instances, there are no quoted market prices for the VSAC's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

4. Student Loans Receivable

At June 30, 2023, VSAC held student loans with interest rates ranging from 2.875% to 12.10%, the majority insured by ED and the U.S. Department of Health and Human Services; at June 30, 2022, the interest rates ranged from 1.79% to 9.0%. At June 30, 2023 and 2022, approximately 60.5% and 51.1%, respectively, of these student loans were not guaranteed. Most of VSAC's borrowers are located in the New England states.

Student loans are classified as being in "interim" status during the period from the date the loan is made until a student is out of school for either six or nine months. Subsequent to this period, student loans are classified as being in "repayment" status. "Deferral" status is a period during the life of the loan when repayment is suspended for authorized purposes.

(Dollars in Thousands)

4. Student Loans Receivable (Continued)

Student loans receivable as of June 30, 2023 and 2022 are summarized as follows:

	2023	2022
Status:		
Interim status	$ 21,208	$ 23,907
Deferral status	10,461	19,801
Repayment status	425,089	490,898
Less: Allowance for loan losses	(20,153)	(20,963)
Total student loans receivable	436,605	513,643
Less: Noncurrent student loans receivable	383,546	433,754
Current student loans receivable	$ 53,059	$ 79,889
Guarantee type:		
U.S. Department of Education	$ 179,123	$ 259,980
U.S. Department of Health and Human Services	30	62
Other – Guaranteed	1,066	1,505
Nonguaranteed	276,539	273,059
Less: Allowance for loan losses	(20,153)	(20,963)
Total student loans receivable	436,605	513,643
Less: Noncurrent student loans receivable	383,546	433,754
Current student loans receivable	$ 53,059	$ 79,889

As of June 30, 2023 and 2022, $390,278 and $466,125 of student loans were pledged to the repayment of bonds and notes, respectively.

Activity in the allowance for loan losses for the years ended June 30, 2023 and 2022 was as follows:

	2023	2022
Balance, July 1	$ 20,963	$ 23,566
Net loans charged off	(1,094)	(1,124)
Provision for losses on student loans	284	(1,479)
Balance, June 30	$ 20,153	$ 20,963

At June 30, 2023 and 2022, $8,204 and $10,798, respectively, of student loans receivable were over 90 days past due, of which all but $2,799 and $2,260, respectively, were guaranteed by one of the guarantee types shown above. The portion of the loss reserve at June 30, 2023 and 2022 which relates to non-guaranteed loans was $19,952 and $20,626, respectively.

5. Fiduciary Fund – Vermont Higher Education Investment Plan (VHEIP)

VHEIP (also known as VT529) was established by the Vermont Legislature in April 1998. VHEIP encourages Vermont residents to save for college or other post-secondary education through a tax-favored qualified 529 savings plan. The program has been designed to comply with the requirements for treatment as a "Qualified Tuition Program" under Section 529 of the IRC. The plan manager of VHEIP is Intuition College Savings Solutions (Intuition), a Florida-based organization specializing in the administration and management of state-sponsored higher education savings plans.

Under the management of Intuition, there are six plans available which participants can select, based on their investment goals and risk tolerance. These include the Managed Allocation Option, the Diversified Equity Option, the Equity Index Option, the Balanced Option, the Fixed Income Option, and the Principal Plus Interest Option. Within the Managed Allocation option participants can elect age band managed allocation plans based on the age of their beneficiaries. Under this age band arrangement funds are automatically liquidated and reinvested as beneficiaries age from one band to the next. None of these investment options are guaranteed.

Investors in VHEIP are subject to many of the same elements of risk discussed in note 3. VSAC attempts to enable VHEIP participants to minimize their risk by offering only well diversified funds to VHEIP plan participants. VHEIP account owners can allocate their investment between the various plans which VHEIP offers but they cannot invest in individual securities. The plans as designed are comprised of 3-14 individual mutual funds with many of these being index funds. The sole exception is the Principal Plus Interest Option which is a plan offered by TIAA-Cref which preserves principal value while guaranteeing a stable return. It is important to note that while VSAC and Intuition work together to provide plan options comprised of underlying investments which enable plan participants to meet their college saving needs, it is the responsibility of the individual participants to know their college funding needs, risk tolerance and time horizon in selecting which of VHEIP's plan or plans to invest in.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Under the VHEIP savings plans participants invest only in well diversified portfolios, reducing their exposure to credit risk and concentration risk.

Concentration of Credit Risk: The concentration of credit risk is the risk of loss that may be caused by VSAC's investment in a single issuer. Aside from the Principal Plus Interest Only option VHEIP plan participants cannot invest in individual securities, reducing their exposure to this risk.

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, VSAC/VHEIP will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. VSAC is not exposed to custodial credit risk due to the fact that all of the investments are held by VSAC's agent in VHEIP's name.

Interest Rate Risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Within VHEIP's plan options some are backed by debt securities and would be subject to this risk. VHEIP's debt plans invest only in diversified funds of securities with varied issuance and maturity dates, minimizing this risk.

(Dollars in Thousands)

5. Fiduciary Fund – Vermont Higher Education Investment Plan (VHEIP) (Concluded)

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Within VHEIP's plan options some are backed by international equity and debt securities and would be subject to this risk. VHEIP's investment plans invest only in diversified funds of securities which minimizes this risk

VHEIP as a Fiduciary Fund is not consolidated with the business-type activities of VSAC but is accounted for and reported separately as a private purpose trust.

Fair Value Measurement

See note 3 for a discussion of the fair value hierarchy for measurement of investments. VHEIP plan participants are responsible for the selection of the investment plan option which most appropriately aligns with their investment goals and risk tolerance. Depending on the plan they elect their funds will be invested in a diversified selection of mutual funds which VSAC and Intuition together have determined will meet their objectives. These underlying investment funds which support the investment plans are comprised of the following investment types as of as of June 30, 2023 and 2022:

	2023		2022	
	Fair Value	Level	Fair Value	Level
Domestic equities	$ 170,157	1	$ 153,015	1
International Equities	126,165	1	115,220	1
Government and private bonds	200,612	1	173,246	1
Real Estate (REIT's)	18,925	1	16,949	1
Stable value/guaranteed return	79,121	3	74,716	3
Total	$ 594,980		$ 533,146	

The assets represented in the fair value measurement are not the property of VSAC and VSAC does not have access to the cost data of individual plan participants, therefore cost information is not presented.

6. Fiduciary Fund - U.S. Department of Education Federal Reserve Fund

Under the *Higher Education Act Amendments of 1998*, all assets related to the FFEL Program guaranty functions were transferred to the Federal Loan Reserve Fund on October 1, 1998. The Federal Loan Reserve Fund is administered by VSAC on behalf of ED and is the property of the Federal government. VSAC also established the Guarantee Agency Operating Fund on October 1, 1998, in accordance with the *Higher Education Act Amendments of 1998*. The Guarantee Agency Operating Fund, which is included within the Statements of Net Position, is the property of VSAC and is used to account for the activities under the FFEL Program that fall outside of the Federal Loan Reserve Fund.

6. Fiduciary Fund - U.S. Department of Education Federal Reserve Fund (Concluded)

To provide security and liquidity against potential defaults, VSAC is required to maintain reserves as specified by Title 16, Vermont Statutes Annotated §2864, Section 422 of Act 20 United States Code 1072, and under various agreements with the bond liquidity and credit enhancement providers. The *Higher Education Act Amendments of 1998* require VSAC to maintain reserves equal to 0.25% of the original disbursed amount of guaranteed student loans outstanding. During 2023 and 2022, VSAC maintained sufficient reserves to fully comply with these requirements. These cash reserves are the primary asset of the Federal Reserve Fund and are maintained in an interest-bearing liquid account which is secured by a collateralization agreement with M&T Bank.

The Federal Reserve Fund is not consolidated with the business-type activities of VSAC; it is accounted for and reported as a custodial Fiduciary fund.

Total outstanding loans issued under the FFEL Program were $179,123 and $259,980 at June 30, 2023 and 2022, respectively. Defaults on FFEL Program loan guarantees are paid by ED through the Federal Loan Reserve Fund.

(Dollars in Thousands)

7. Capital Assets

A summary of capital assets activity for the years ended June 30, 2023 and 2022 was as follows:

	Estimated Lives	Balance June 30, 2021	Net Increase (Decrease)	Balance June 30, 2022	Net Increase (Decrease)	Balance June 30, 2023
Assets not subject to depreciation						
Land	–	$ 3,150	$ -	$ 3,150	$ -	$ 3,150
Assets subject to depreciation						
Furniture and equipment	3 – 15 Years	3,101	70	3,171	118	3,289
Software	3 – 5 Years	1,509	(4)	1,505	-	1,505
Building	5 – 30 Years	17,407	-	17,407	(42)	17,365
Total assets subject to depreciation		22,017	66	22,083	76	22,159
Less accumulated depreciation		13,238	733	13,971	750	14,721
Assets subject to depreciation, net		8,779	(667)	8,112	(674)	7,438
Property, plant and equipment, net		$ 11,929	$ (667)	$ 11,262	$ (674)	$ 10,588
SBITA, cost		1,065	-	1,065	140	1,205
Less accumulated amortization		(102)	(353)	(455)	(364)	(819)
SBITA, net		963	(353)	610	(224)	386
Total capital assets		$12,892	$(1,020)	$11,872	$(898)	$10,974
Less SBITA payable		(676)	332	(344)	233	(111)
Net investment in property and equipment		$12,216	$(688)	$11,528	$(665)	$10,863

Depreciation charged to operations for the years ended June 30, 2023 and 2022 was $798 and $799, respectively. Amortization of SBITA charged to operations for these years ended June 30, 2023 and 2022 was $341 and $353, respectively. See note 9 for a discussion of the associated SBITA liability.

(Dollars in Thousands)

8. Leases

VSAC has signed leases with three tenants who occupy portions of VSAC's building.

A summary of facility lease receivable activity for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Balance, beginning of year	$ 1,880	$ 2,664
Addition to deferred inflow	486	-
Resource inflows	(858)	(784)
Balance end of year	1,508	1,880
Less: non-current portion	(644)	(1,075)
Current portion	$ 864	$ 805

During the years ended June 30, 2023 and 2022, VSAC recognized $722 and $712, respectively, in facility lease revenues amortized from the deferred inflow of resources. During these same periods, VSAC realized $131 and $140 in revenues from interest associated with the leases.

VSAC presently has three tenant leases for space in its office building:

On November 13, 2017, VSAC signed a lease with one tenant for a portion of its building. Following a fit-up period, the tenant commenced occupation on March 1, 2018. The initial term ended on February 28, 2023 and the lease was extended for a three year period; one further three year extension option is provided for in the lease.

On February 7, 2018, VSAC signed a lease with another tenant for a portion of its building. Following a fit-up period the tenant commenced occupation on July 1, 2018. The initial term ends on June 30, 2025 and may be extended at the tenant's option for one seven-year period.

On February 15, 2019, VSAC signed a lease for a third tenant for a portion of its building. The tenant began its fit-up activity on June 1, 2019 on a portion of its space and completed its move-in prior to their deadline of August 1, 2021. The initial term ends on June 30, 2024 and may be extended at the tenant's option for up to two five-year periods.

The leases were valued at the discounted value of future expected scheduled lease payments as of the date of move-in, net of lease incentives paid by VSAC to the tenants for fit-up. The expected future payments excluded the extension option periods as their exercise is uncertain.

(Dollars in Thousands)

9. Subscription-Based Information Technology Arrangements (SBITA)

In May of 2020 the GASB issued Statement No. 96. *Subscription-Based Information Technology Arrangements* (SBITA). VSAC implemented this Statement during the fiscal year ended June 30, 2022.

In accordance with GASB Statement No. 96. *Subscription-Based Information Technology Arrangements* (SBITA), VSAC is required to present information related to certain contracts for remote or 'cloud' based software in a manner similar to leases. During the year ended June 30, 2022 VSAC identified four contracts which met the criteria of being longer than a year in duration and having payment amounts and timing which were not variable; during the year ended June 30, 2023 one of these amended their terms to be a one year agreement. As of June 30, 2023 the agreements for these SBITA have durations of three to five years and their expiration dates are between 2023 and 2027.

A summary of the SBITA-related liability as of and for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Balance, beginning of year	$ 341	$ 671
Addition to deferred outflow or resources	117	-
Resource outflows	(347)	(330)
Balance, end of year	111	341
Less: non-current portion	(84)	-
Current portion	$ 27	$ 341

Additionally, the balances in the statement of net position for this activity reflect accrued interest payable of $0 and $3 at June 30, 2023 and 2022 respectively.

Future maturities of the subscription payments as of June 30, 2023 through the expiration of the current terms are:

	Principal	Interest
Fiscal year ending 6/30/2024	$ 27	$ 4
Fiscal year ending 6/30/2025	27	5
Fiscal year ending 6/30/2026	28	6
Fiscal year ending 6/30/2027	29	7
Balance, 6/30/2023	$ 111	$ 22

(Dollars in Thousands)

10. Compensated Absences

In June of 2022 the GASB issued Statement No. 101 *Compensated Absences*, as outlined in Note 2 above. VSAC implemented this Statement during the fiscal year ended June 30, 2023. VSAC had previously recorded a reserve for unused compensated balances which vest (e.g. paid vacation time), but not for those which do not vest (e.g. paid medical time). This implementation required restatement of previously issued financial statement information in a format and calculation comparable to current year amounts.

A summary of activity for reserves for paid vacation time and paid medical time is presented here:

	Vacation	Medical
Balance, June 30, 2021	$598	$2,273
Net increase (decrease) year ending 6/30/2022	(35)	89
Balance, June 30,2022	563	2,362
Net increase (decrease) year ending 6/30/2023	(38)	(7)
Balance, June 30, 2023	$525	$2,355

All of the balance for vacation for all periods is reflected as a current liability and is included in VSAC's statements of net position as a component of the accounts payable and other liabilities liability. Of the balance for medical, $282 and $361 respectively were presented as current liabilities during the years ending 6/30/2023 and 2022 respectively; they are a component of the same liability line as the vacation reserve. The non-current portion of the medical reserve is presented as a non-current accrued liability.

11. Bonds and Notes Payable

VSAC has issued the following bonds and notes payable at June 30, 2023 and 2022:

	2023	2022
Bonds and Notes Payable which were issued to finance the origination of student loans:		
2012 Series 1 dated November 28, 2012; comprised of variable-rate notes maturing on July 28, 2034; interest is variable and payable monthly at the one-month LIBOR plus 0.70% (5.17786% at June 30, 2023).	81,606	138,257
2013 Series 1 dated June 25, 2013; comprised of variable-rate notes maturing on April 30, 2035; interest is variable and payable monthly at the one-month LIBOR plus 0.75% (5.92876% at June 30, 2023).	38,971	62,322
2014 Series A-1 dated July 9, 2014; comprised of fixed-rate bonds maturing between June 15, 2021 and 2033; interest is fixed and payable semi-annually at rates ranging from 3.625% to 5%.	7,180	9,530
2014 Series B dated November 21, 2014; comprised of variable-rate notes maturing on June 2, 2042; interest is variable and payable semi-annually at the one-month LIBOR plus 1.0% (5.17043% at June 30, 2023).	11,840	15,278
2015 Series A-1 dated July 16, 2015; comprised of fixed-rate bonds maturing between June 15, 2020 and 2034; interest is fixed and payable semi-annually at rates ranging from 4% to 5%.	7,230	8,605

(Dollars in Thousands)

11. Bonds and Notes Payable (Continued)

2016 Series A-1 dated June 9, 2016; comprised of fixed-rate bonds maturing between June 15, 2022 and 2034; interest is fixed and payable semi-annually at rates ranging from 3.25% to 5%.	9,770	12,795
2017 Series A-1 dated June 15, 2017; comprised of fixed-rate bonds maturing between June 15, 2022 and 2033; interest is fixed and payable semi-annually at rates ranging from 3.75% to 5%.	20,610	25,565
2017 Series B-1 dated June 15, 2017; comprised of fixed-rate subordinate bonds maturing on June 15, 2045; interest is fixed and payable semi-annually at a rate of 4.5%.	8,100	8,100
2018 Series A-1 dated June 6, 2018; comprised of fixed-rate bonds maturing between June 15, 2023 and 2034; interest is fixed and payable semi-annually at rates ranging from 3.625% to 5%.	19,005	22,245
2018 Series B-1 dated June 6, 2018; comprised of fixed-rate subordinate bonds maturing on June 15, 2046; interest is fixed and payable semi-annually at a rate of 4.375%.	4,500	4,500
2019 Series A-1 dated June 13, 2019; comprised of fixed-rate bonds maturing between June 15, 2024 and 2025; interest is fixed and payable semi-annually at rates ranging from 3% to 5%.	24,860	27,445
2019 Series B-1 dated June 13, 2019; comprised of fixed-rate subordinate bonds maturing on June 15, 2047; interest is fixed and payable semi-annually at a rate of 4%.	5,150	5,150
2020 Series A-1 dated June 24, 2020; comprised of fixed-rate bonds maturing between June 15, 2025 and 2036; interest is fixed and payable semi-annually at rates ranging from 3.375% to 5%.	26,920	30,355
2021 Series A-1 dated June 10, 2021; comprised of fixed-rate bonds maturing between June 15, 2026 and 2039; interest is fixed and payable semi-annually at rates ranging from 2.375% to 5%.	22,635	25,540
2022 Series A-1 dated June 14, 2022; comprised of fixed-rate bonds maturing between June 15, 2028 and 2040; interest is fixed and payable semi-annually at rates ranging from 4.375% to 5%.	17,380	20,245
2023 Series A-1 dated June 15, 2023; comprised of fixed-rate bonds maturing between June 15, 2029 and 2041; interest is fixed and payable semi-annually at rates ranging from 4% to 5%.	20,420	-
Total bonds and notes payable	326,177	415,932
Bond premium/discount, net	6,365	7,588
Total bonds and notes payable, net of bond premium/discount	332,542	423,520
Less: current portion of bonds and notes payable	12,675	10,135
Noncurrent portion of bonds and notes payable	$ 319,867	$ 413,385

VSAC has no open lines of credit or debts resulting from direct placements.

(Dollars in Thousands)

11. Bonds and Notes Payable (Continued)

All notes and bonds payable are limited obligations of VSAC and are secured, as provided in the underlying bond resolutions, by an assignment and pledge to the Trustee of all VSAC's rights, title and interest in student loans, and revenues derived thereon and the guarantee thereof, including the insurance of certain student loans by ED. In addition, a significant portion of cash and cash equivalents (including debt service reserve accounts which may be used to replenish any deficiency in funds required to pay principal and interest due on the bonds) are held in trust to secure the bonds.

The 2012-1, 2013-1 and 2014-B notes (the variable rate notes) are subject to redemption prior to maturity at the principal amounts outstanding plus accrued interest at date of redemption. Certain series of VSAC's other bonds (the fixed rate bonds) are subject to redemption from excess revenues prior to maturity at the principal amounts outstanding plus unamortized premium and accrued interest at the date of redemption. At June 30, 2023, all bonds authorized under the underlying bond resolutions have been issued.

VSAC's bond documents define Event of Default as a failure to make scheduled principal and interest payments when due, a VSAC Event of Bankruptcy, or a failure to perform the various other duties and covenants of the indenture, or to correct such failure within 90 days if it is correctable. In the event of an Event of Default, the trustee has the authority to claim the pledged assets of the trust, to liquidate said pledged assets, and to accelerate payment of remaining debts of the trust estate.

Proceeds from issuance of the bonds payable and all revenues thereon are held in trust and are restricted as follows: to repurchase bonds; finance student loans; pay interest on the bonds; maintain required reserves; and pay reasonable and necessary program expenses. At June 30, 2023 and 2022, respectively, $41,768 and $52,432 in cash and investment interest receivable were pledged as security on the notes and bonds payable. At June 30, 2023 and 2022, respectively, $388,958 and $465,639 in student loan principal and interest were pledged as security on the notes and bonds payable.

During the years ended June 30, 2023 and 2022, amortized deferred gains from prior year financed bond refundings of $4,023 and $2,588, respectively, are included as a reduction to interest expense.

The following summarizes the debt activity for VSAC for the years ended June 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	$ 423,520	$ 501,094
Issuance	20,420	20,245
Premium on issuance	393	204
Redemptions, extinguishments, and refunding	(110,175)	(96,352)
Accretion/amortization of discount/premium	(1,616)	(1,671)
Balance, end of year	$ 332,542	$ 423,520

(Dollars in Thousands)

11. Bonds and Notes Payable (Concluded)

The debt service requirements, which are based on the interest rates at June 30, 2023, through the fiscal year ending (FY) 2028 and in five-year increments thereafter to maturity for VSAC are as follows:

Year ending June 30,	Principal	Interest	Total
FY24	$ 12,675	$ 14,663	$ 27,338
FY25	12,995	14,029	27,024
FY26	16,575	13,385	29,960
FY27	15,580	12,590	28,170
FY28	15,425	11,827	27,252
FY29 – 33	47,190	49,642	96,832
FY34 – 38	143,957	26,550	170,507
FY39 – 43	61,780	6,143	67,923
Total	$ 326,177	$ 148,829	$ 475,006

The actual maturities and interest may differ due to changes in interest rates or other factors. Payment maturity dates of bonds payable principal coincide with required interest payable schedules.

12. U.S. Treasury Rebates Payable

The tax-exempt bonds issued by VSAC are subject to IRS regulations which limit the amount of income which may be earned on certain cash equivalents, investments and student loans acquired with tax-exempt bond proceeds. Any excess earnings are to be refunded to the U.S. Treasury. VSAC has calculated that there are U.S. Treasury rebates payable at June 30, 2023 and 2022 of $3,750 and $3,885, respectively. VSAC has calculated that there is no estimated current portion at June 30, 2023 or June 30, 2022. VSAC refunded $0 and $16 respectively in excess earnings to the U.S. Treasury in 2023 and 2022, in connection with final bond redemptions.

13. Student Loan Interest and Special Allowance Revenues

ED makes quarterly interest subsidy payments on behalf of certain qualified students until the student is required under the provisions of the Act to begin repayment. Repayment on FFEL Program Stafford student loans normally begins within six months after students complete their course of study, leave school or cease to carry at least one-half the normal full-time academic load as determined by the educational institution. Repayment of FFEL Program Parent Loans for Undergraduate Students (PLUS), Supplemental Loans for Students (SLS) and Consolidation loans normally begins within 60 days from the date of loan disbursement unless a deferment of payments has been granted. In these cases, full repayment of principal and interest would resume at the expiration of the deferment. Interest accrues during this deferment period. Health Education Assistance Loans enter repayment status nine months after the expiration date of an interim period.

ED provides a special allowance to lenders participating in the FFEL Program Stafford, PLUS, SLS, and Consolidation student loan programs. Special allowance is paid based on a rate that is established quarterly. This rate is based on averages calculated from the rates of certain U.S. Treasury Bills, Financial Commercial Paper or one-month LIBOR depending on the disbursement date of the loans and the issuance date of the financing obligations. All FFEL loans held by VSAC receive special allowance based on one-month LIBOR.

ED restricts student loan interest revenue for loans first disbursed after April 1, 2006. VSAC is required to return borrower loan interest in excess of the special allowance formulae rates for certain FFEL Program Stafford, PLUS, and Consolidation loans. The return of interest totaled $757 and $5,154 in 2023 and 2022, respectively, and is reflected as a reduction of interest and fees on student loans in the Statements of Revenues, Expenses and Changes in Net Position.

VSAC holds certain variable interest rate student loans which secure VSAC's variable rate bonds. These interest rates historically have been set using LIBOR. Additionally, the Special Allowance and Return of Interest items discussed above are calculated using LIBOR. Effective July 1, 2023 LIBOR is no longer published. Since LIBOR continued to be published through June 30, 2023 this event does not affect VSAC's historical financial condition as of that date or results of operations for the year then ended.

On March 15, 2022 the President signed legislation which would smooth transition of issuers of LIBOR-based obligations to a replacement reference rate. This legislation, the Adjustable Interest Rate (LIBOR) Act of 2021, provides for the replacement of LIBOR with the Secured Overnight Financing Rate (SOFR) plus a spread adjustment. Effective July 1, 2023 VSAC has transitioned to the use of this replacement rate calculation for future periods for its variable rate instruments which are determined by LIBOR; these include student loans, Special Allowance, interest returned and bonds.

14. Endowment Funds

Donors have established a number of endowment funds through the Vermont Student Development Fund, Inc. All endowment funds are donor-restricted to provide scholarship funds to Vermont students. All endowment funds are guided by specific agreements and instructions from donors regarding the uses of earnings and appreciation on invested funds.

In 2009, the Vermont General Assembly enacted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). In contrast to prior law, UPMIFA addresses in a more explicit and clear manner a fiduciary's ability to spend net appreciation of donor-restricted endowments.

UPMIFA permits a fiduciary to use a more flexible spending standard than under prior law. As with prior law, the intentions of the donor as specifically expressed in a gift instrument will always govern the spending from an endowment fund. UPMIFA also continues to provide, however, that the mere use of the terms "income" or "principal" will not be interpreted to mean that the donor intended to limit the spending from the fund in any particular manner. Unless specifically directed to the contrary, under UPMIFA a fiduciary may expend so much of an endowment fund as an ordinarily prudent person in a like position would spend for the uses, benefits, purposes, and duration for which the endowment fund was established. Under this rule of prudence, a distinction no longer exists between income and principal, nor is there a need to track historic dollar value. This allows an institution to spend any amount from an endowment fund (whether it was historically categorized as income or principal or whether the fund is above historic dollar value), provided that the spending decision is prudent under the circumstances.

The VSAC Board of Directors has established a total-return spending rate policy, and substantially all of the endowment agreements specify this approach. In this approach, the amount of funds that may be expended from an endowment is based on a percentage of the fund's average historical total value (using the prior 12 calendar quarters), and may come from the total return on the fund, including interest and dividend earnings, and appreciation over historical gift value. Total investment return in excess of the established spending rate is included in nonexpendable net position. It will be expendable when it is appropriated in future periods. The spending rate may be adjusted by the Board of Directors at their discretion.

At June 30, 2023 and 2022, the total net position related to endowment funds was $10,045 and $8,911, respectively. Expendable restricted net position totaled $1,141 and $999, respectively. The remaining $8,904 and $7,912, respectively, of net position related to endowment funds were nonexpendable.

(Dollars in Thousands)

15. Restricted Net Position

Restrictions on net position are the result of bond resolutions, state statutes, various federal regulations and program agreements, and donor restrictions. Bond resolutions restrict net position to the origination of student loans and payment of debt service on bonds and notes payable. State statutes and federal regulations and program agreements restrict various net position to use for specific grant, scholarship and educational activities. Donors have restricted a number of endowment funds for scholarship awards. Restricted net position as of June 30, 2023 and 2022 is as follows:

	2023	2022
Expendable - restricted by bond resolutions	$ 64,215	$ 55,556
Expendable - restricted by federal or state statute or donors	2,244	2,714
Expendable – income is donor restricted for scholarships	1,141	999
Nonexpendable – income is donor restricted for scholarships	8,904	7,912
Total restricted net position	$ 76,504	$ 67,181

The portion of net position which is restricted by bond resolutions includes the effect of deferring the recognition of gain on the early retirement of bonds. These bonds were retired in financed transactions during the year ended June 30, 2013 and the gain was deferred and is recognized as an offset to financing costs as the financing bonds are repaid. The remaining balances of the deferred inflow of resources of $5,846 and $9,868 at June 30, 2023 and 2022, respectively, will be recognized as a reduction of financing costs and increase of restricted net position over the remaining period the financing bonds are estimated to be outstanding. This estimated period was 11 years and 12 years as of June 30, 2023 and 2022, respectively.

16. Retirement Benefits

Full-time employees of VSAC that meet specific eligibility requirements are participants in a retirement annuity plan. This plan is a multi-employer defined contribution plan sponsored by the Teachers Insurance and Annuity Association of America-College retirement Equities Fund. All employees are fully vested for VSAC plan contributions. The payroll for employees covered under the plan for the fiscal years ended June 30, 2023 and 2022 amounted to $9,782 and $9,804, respectively; VSAC's total payroll was $10,697 and $10,710, respectively. Total contributions by VSAC amounted to $1,078 and $1,073 in 2023 and 2022, respectively, which represented an average of 11.0% and 10.9% of the covered payroll in those respective years.

VSAC employees who complete 15 years of continuing service and who are not otherwise eligible for Medicare coverage may elect to continue to buy VSAC's health care coverage at Consolidated Omnibus Budget Reconciliation Act (COBRA) rates. U.S. generally accepted accounting principles require recognition of current period costs related to expected future expenditures for Other Post-Employment Benefits. Since historical participation in this benefit has been very low and because participants are required to purchase coverage at a COBRA rate which recovers VSAC's average estimated per person cost, VSAC believes that this obligation is not material and has not recorded a liability for this post-employment benefit at June 30, 2023 and 2022.

(Dollars in Thousands)

17. Contingencies

VSAC participates in various federally funded programs. These programs are subject to financial and compliance audits and resolution of identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time.

VSAC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. VSAC manages these risks through a combination of commercial insurance packages purchased in the name of VSAC, and through self-insurance programs for medical and dental claims. With respect to its commercial insurance packages, VSAC has not experienced or settled claims resulting from these risks which have exceeded its commercial insurance coverage. In addition, VSAC has purchased stop-loss insurance for its self-insurance programs and has transferred the risk of loss to the commercial insurance carrier.

A summary of the reserve for self-insured medical and dental liabilities included in accounts payable and other liabilities on the statements of net position as of June 30, 2023 and 2022 is as follows:

	2023	2022
Balance, beginning of year	$ 229	$ 300
Claims paid	(3,131)	(3,497)
Accrual for estimated claims	3,102	3,426
Balance, end of year	$ 200	$ 229

This medical and dental reserve balance represents the expected future costs of known medical cases which our medical services administrator has on record as of the end of the year.

As of June 30, 2023 and 2022, management believes VSAC has no pending legal actions an unfavorable outcome of which would have a material effect.

18. Loan Commitments

At June 30, 2023 and 2022, VSAC had commitments to extend credit for non-guaranteed student loans of approximately $3,503 and $3,174, respectively. Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the commitment agreement. Commitments generally have fixed expiration dates or other termination clauses. VSAC uses the same credit policies in making commitments as it does for student loans receivable.

(Dollars in Thousands)

19. Blended Component Unit

As pointed out in note 1 the consolidated financial statements for VSAC include a blended component unit, the Vermont Student Development Fund (VSDF), reported within the Business-Type Activities (BTA). Condensed consolidating financial statements as of June 30, 2023 and for the year then ended are presented below.

Condensed Statement of Net Position as of June 30, 2023:

Condensed Statement of Net Position	BTA	VSDF	Consolidated
Assets			
Current Assets	$ 121,859	$ 11,484	$ 133,343
Capital Assets	10,974	-	10,974
Other Assets	425,958	9,982	435,940
Total Assets	558,791	21,466	580,257
Liabilities			
Current Liabilities	18,801	11,398	30,199
Non-current Liabilities	325,774	-	325,774
Interfund due (to)/from	(23)	23	-
Total Liabilities	344,552	11,421	355,973
Deferred inflows of resources-deferred bond gain	5,846	-	5,846
Deferred inflows of resources-lease revenue	1,179	-	1,179
Net Position			
Net investment in property and equipment	10,863	-	10,863
Restricted	66,459	10,045	76,504
Unassigned	129,892	-	129,892
Total Net Position	207,214	10,045	217,259
Total liabilities, deferred inflows and net position	$ 558,791	$ 21,466	$ 580,257

(Dollars in Thousands)

19. Blended Component Unit (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position for the year ending June 30, 2023:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	BTA	VSDF	Consolidated
Revenues			
Revenue from education loan financing	$ 32,746	$ -	$ 32,746
Guarantee program revenues	1,778	-	1,778
Vermont State appropriations	24,336	1,158	25,494
Federal grants	4,314	2,244	6,558
Scholarship and gift revenue	-	6,351	6,351
Facility lease/529 plan revenue	1,473	-	1,473
Investment Interest and Other revenue	4,201	881	5,082
Total operating revenues	68,848	10,634	79,482
Expenses			
Operating and program expenses	59,520	10,259	69,779
Depreciation and amortization	798	-	798
Total operating expenses	60,318	10,259	70,577
Excess of operating revenues over expenses	8,530	375	8,905
Non-operating revenues and expenses			
Contributions to Permanent Scholarship Endowment	-	452	452
Interfund transfers	(307)	307	-
Total net position at the beginning of the year	198,991	8,911	207,902
Total net position at the end of the year	$ 207,214	$ 10,045	$ 217,259

(Dollars in Thousands)

19. Blended Component Unit (Continued)

Condensed Statement of Cash Flows for the year ending June 30, 2023:

Condensed Cash Flow Statement	BTA	VSDF	Consolidated
Cash provided by (used in) operations	$ 94,277	$ 2,665	$ 96,942
Cash provided by (used in) noncapital financing	(105,697)	-	(105,697)
Cash used by capital and related financing	(472)	-	(472)
Cash provided by (used in) investing	3,684	186	3,870
Net increase (decrease) in cash	(8,208)	2,851	(5,357)
Cash and cash equivalents, beginning of year	101,874	8,634	110,508
Cash and cash equivalents, end of year	$ 93,666	$ 11,485	$ 105,151

(Dollars in Thousands)

19. Blended Component Unit (Continued)

Condensed consolidating financial statements as of June 30, 2022 and for the year then ended are presented below.

Condensed Statement of Net Position as of June 30, 2022:

Condensed Statement of Net Position

	BTA	VSDF	Consolidated
Assets			
Current Assets	$ 145,696	$ 8,634	$ 154,330
Capital Assets	11,872	-	11,872
Other Assets	487,261	8,835	496,096
Total Assets	644,829	17,469	662,298
Liabilities			
Current Liabilities	15,354	8,553	23,907
Non-current Liabilities	419,271	-	419,271
Interfund due (to)/from	(5)	5	-
Total Liabilities	434,620	8,558	443,178
Deferred inflows of resources-deferred bond gain	9,868	-	9,868
Deferred inflows of resources-lease revenue	1,350	-	1,350
Net Position			
Net investment in property and equipment	11,528	-	11,528
Restricted	58,270	8,911	67,181
Unassigned	129,193	-	129,193
Total Net Position	198,991	8,911	207,902
Total liabilities, deferred inflows and net position	$ 644,829	$ 17,469	$ 662,298

(Dollars in Thousands)

19. Blended Component Unit (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position for the year ending June 30, 2022:

Condensed Statement of Revenues, Expenses and Changes in Net Position

Revenues	BTA	VSDF	Consolidated
Revenue from education loan financing	$ 27,100	$ -	$ 27,100
Guarantee program revenues	1,949	-	1,949
Vermont State appropriations	22,085	206	22,291
Federal grants	5,090	3,419	8,509
Scholarship and gift revenue	(832)	5,821	4,989
Facility lease/529 plan revenue	1,498	-	1,498
Investment Interest and Other revenue	626	(1,238)	(612)
Total operating revenues	57,516	8,208	65,724
Expenses			
Operating and program expenses	51,219	9,930	61,149
Depreciation and amortization	799	-	799
Total operating expenses	52,018	9,930	61,948
Excess of operating revenues over expenses	5,498	(1,722)	3,776
Non-operating revenues and expenses			
Contributions to Permanent Scholarship Endowment	-	591	591
Interfund transfers	(307)	307	-
Total net position at the beginning of the year	193,800	9,735	203,535
Total net position at the end of the year	$ 198,991	$ 8,911	$ 207,902

(Dollars in Thousands)

19. Blended Component Unit (Concluded)

Condensed Statement of Cash Flows for the year ending June 30, 2022:

Condensed Cash Flow Statement	BTA	VSDF	Consolidated
Cash provided by (used in) operations	$ 83,662	$ 38	$ 83,700
Cash provided by (used in) noncapital financing	(87,438)	-	(87,438)
Cash used by capital and related financing	(462)	-	(462)
Cash provided by (used in) investing	282	213	495
Net increase (decrease) in cash	(3,956)	251	(3,705)
Cash and cash equivalents, beginning of year	105,830	8,383	114,213
Cash and cash equivalents, end of year	$ 101,874	$ 8,634	$ 110,508

20. Uncertainty and Relief Funding

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic. Local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of certain businesses and imposing limitations on travel and the size and duration of group gatherings. Most sectors experienced disruption to business operations. There was unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and additional government actions to mitigate them. Accordingly, while management expects this matter to impact operating results, the related financial impact and duration cannot be reasonably estimated.

The U.S. government responded with relief legislation as a response to the COVID-19 outbreak. The U.S government enacted three statues into law to address the economic impact of the COVID-19 outbreak; the first on March 27, 2020, called the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the second on December 27, 2020, called the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the third on March 11, 2021 called the American Rescue Plan (ARPA). The CARES Act, CRRSAA and ARPA, among other things, 1) authorized emergency loans to distressed businesses by establishing, and providing funding for, forgivable bridge loans, 2) provided additional funding for grants and technical assistance, 3) delayed due dates for employer payroll taxes and estimated tax payments for organizations, and 4) revised provisions of the Internal Revenue Code, including those related to losses, charitable deductions, and business interest. Management has evaluated the impact of the CARES Act on VSAC, including its potential benefits and limitations that may result from additional funding.

20. Uncertainty and Relief Funding (Concluded)

During fiscal 2022 VSAC received $2.8 million funded by ARPA as a pass through from the State of Vermont. These funds were used to support the Green Mountain Grad scholarship program.

On April 10, 2023, the President signed into law H.J. Res. 7, which terminated the national emergency related to the COVID-19 pandemic.

21. Subsequent Event

On June 27, 2023 the management of VSAC announced their intention to move forward during the 2023-24 fiscal year to:

a) terminate the guarantor relationship with the U.S. Department of Education with respect to VSAC's FFEL program loan portfolio and to assign guarantor responsibilities to a successor to be determined by the Department, and
b) contract with a third-party loan servicer, Pennsylvania Higher Education Assistance Agency (PHEAA), to service VSAC's FFEL program portfolio of active student loans.

This plan will be implemented during the 2023-24 fiscal year and is not expected to materially impact VSAC's financial condition or results of operations.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

SUPPLEMENTARY INFORMATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY OPERATING SEGMENT

For the years ending June 30, 2023 and 2022

Although not required, VSAC elects to disclose the condensed Statements of Revenues, Expenses and Changes in Net Position of VSAC's business-type operating segments. The segments presented include:

Operations – This segment includes administration, FFEL Program guarantor functions, privately-held student loans and student outreach activities (partially funded by Federal and State grants). VSAC's net investment in capital assets is reflected in this segment. The fund balance in this segment is considered unrestricted and available for any corporate purpose.

Bond Funds – This segment includes the activities of all VSAC education loan financing instruments and the related secured assets. Accumulated balances in this fund are restricted by financing agreements.

Scholarships – This segment includes all funds designated as scholarships and the related donations, earnings, and disbursements for the various scholarship programs administered by VSAC, including endowments. The balance of this segment primarily represents unspent invested amounts in the Vermont Student Development Fund, Inc. (d/b/a the Vermont Scholarship Fund), which is a permanent endowment.

Grants – This segment reflects the activities of all funds received that are part of certain annual State of Vermont appropriations. These include the incentive grants and non-degree grants. Any carryover balance in this segment is the result of 'attrition' which is created by eligible students who are unable to utilize their award. These funds remain in the segment and are awarded in the following fiscal year.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

SUPPLEMENTARY INFORMATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY OPERATING SEGMENT

For the years ending June 30, 2023 and 2022

For the year ended June 30, 2023

	Operations	Bond Funds	Scholarships	Grants	Elimination	Consolidated
Revenues						
Revenue from education loan financing	$ 4,919	$ 27,827	$ -	$ -	$ -	$ 32,746
Guarantee program revenues	1,778	-	-	-	-	1,778
Vermont State appropriations	437	-	1,158	23,899	-	25,494
Federal grants	4,314	-	2,244	-	-	6,558
Scholarship and gift revenue	-	-	6,351	-	-	6,351
Facility lease/ 529 plan revenue	1,473	-	-	-	-	1,473
Investment interest and other revenue (loss)	4,097	1,631	881	-	(1,527)	5,082
Total operating revenues	17,018	29,458	10,634	23,899	(1,527)	79,482
Expenses						
Operating and program expenses	17,793	18,368	10,259	24,886	(1,527)	69,779
Depreciation	798	-	-	-	-	798
Total operating expenses	18,591	18,368	10,259	24,886	(1,527)	70,577
(Deficit) excess of operating revenues over expenses	(1,573)	11,090	375	(987)	-	8,905
Non-operating revenues and expenses						
Contribution to permanent scholarship endowment	-	-	452	-	-	452
Interfund transfers	1,607	(2,430)	307	516	-	-
Change in net position	34	8,660	1,134	(471)	-	9,357
Net position, beginning of the year	140,721	55,555	8,911	2,715	-	207,902
Net position, end of the year	$ 140,755	$ 64,215	$ 10,045	$ 2,244	$ -	$ 217,259

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

SUPPLEMENTARY INFORMATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY OPERATING SEGMENT

For the years ending June 30, 2023 and 2022

For the year ended June 30, 2022

	Operations	Bond Funds	Scholarships	Grants	Elimination	Consolidated
Revenues						
Revenue from education loan financing	$ 3,029	$ 24,071	$ -	$ -	$ -	$ 27,100
Guarantee program revenues	1,949	-	-	-	-	1,949
Vermont State appropriations	572	-	206	21,513	-	22,291
Federal grants	4,155	-	4,251	103	-	8,509
Scholarship and gift revenue	-	-	4,989	-	-	4,989
Facility lease/ 529 plan revenue	1,498	-	-	-	-	1,498
Investment interest and other revenue (loss)	1,258	80	(1,238)	-	(712)	(612)
Total operating revenues	12,461	24,151	8,208	21,616	(712)	65,724
Expenses						
Operating and program expenses	15,928	15,166	9,930	20,837	(712)	61,149
Depreciation	799	-	-	-	-	799
Total operating expenses	16,727	15,166	9,930	20,837	(712)	61,948
(Deficit) excess of operating revenues over expenses	(4,266)	8,985	(1,722)	779	-	3,776
Non-operating revenues and expenses						
Contribution to permanent scholarship endowment	-	-	591	-	-	591
Interfund transfers	3,786	(4,594)	307	501	-	-
Change in net position	(480)	4,391	(824)	1,280	-	4,367
Net position, beginning of the year	141,201	51,164	9,735	1,435	-	203,535
Net position, end of the year	$ 140,721	$ 55,555	$ 8,911	$ 2,715	$ -	$ 207,902