

Vermont Student Assistance Corporation
(A Component Unit of the State of Vermont)

Annual Comprehensive Financial Report

Years Ended June 30, 2022 and 2021

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

**BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Years Ended June 30, 2022 and 2021

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis (Unaudited)	4 – 20
Basic Financial Statements:	
Statements of Net Position	21 – 22
Statements of Revenues, Expenses and Changes in Net Position	23
Statements of Cash Flows	24 – 25
Statements of Fiduciary Net Position – Agency Funds	26
Notes to Financial Statements	27 – 56
Combining Schedule of Changes in Assets and Liabilities – All Agency Funds	57

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vermont Student Assistance Corporation

Report of the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund information of Vermont Student Assistance Corporation (VSAC), a component unit of the State of Vermont, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise VSAC'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 financial position of VSAC as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS) Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VSAC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles, 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 VSAC'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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VSAC'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 VSAC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 4 through 20 be presented to supplement the basic financial statements. Such information, although not 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 U.S. generally accepted auditing standards, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise VSAC's basic financial statements. The accompanying combining schedule of changes in assets and liabilities – all agency funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 U.S. generally accepted auditing standards. In our opinion, the schedule of changes in assets and liabilities – all agency funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
September 20, 2022

Registration No: 92-0000278

VERMONT STUDENT ASSISTANCE CORPORATION

(A Component Unit of the State of Vermont)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Years Ended June 30, 2022 and 2021

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 137 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 2022 and Fiscal 2021 information due to the fact that the Financial Statements include Fiscal 2022 and Fiscal 2021 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/outflows. The statement also presents the balance of assets in excess of 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2022 and 2021

FISCAL 2022

Fiscal 2022 Highlights and Overall Financial Position

- VSAC's total net surplus for the years ended June 30, 2022 and 2021 was \$4.5 million and \$5.9 million, respectively. VSAC's total net position increased to \$210.3 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 11 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2022 and 2021

Condensed Financial Information

Statements of Net Position

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Assets:		
Cash and investments	\$ 119,343	\$ 123,908
Education loans receivable (plus interest)	527,661	596,598
Other assets and deferred outflows of resources	<u>15,294</u>	<u>18,061</u>
Total assets and deferred outflows of resources	<u>\$ 662,298</u>	<u>\$ 738,567</u>
Liabilities:		
Bonds and notes payable (plus interest)	\$ 423,971	\$ 501,554
U.S. Treasury rebates payable	3,885	4,565
Other liabilities	<u>12,960</u>	<u>12,181</u>
Total liabilities	<u>440,816</u>	<u>518,300</u>
Deferred inflows of resources:		
Deferred inflows from leasing activity	1,350	2,002
Deferred gains on early refunding of bonds payable	<u>9,868</u>	<u>12,457</u>
Total liabilities and deferred inflows of resources	<u>452,034</u>	<u>532,759</u>
Net position:		
Net investment in capital assets	11,262	11,929
Restricted	67,181	62,334
Unrestricted	<u>131,821</u>	<u>131,545</u>
Total net position	<u>210,264</u>	<u>205,808</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 662,298</u>	<u>\$ 738,567</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2022 and 2021

Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>
	(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	7,677	8,681
Scholarship and gift income	5,821	4,948
Facility lease revenue	712	711
529 plan revenue	786	699
Other (loss) income	<u>(1,079)</u>	<u>2,004</u>
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	<u>22,253</u>	<u>22,379</u>
Total operating expenses	<u>61,859</u>	<u>63,876</u>
Change in net position from operations	3,865	5,777
Contributions to permanent scholarship endowment	<u>591</u>	<u>118</u>
Change in net position	4,456	5,895
Net position, beginning of year	<u>205,808</u>	<u>199,913</u>
Net position, end of year	\$ <u>210,264</u>	\$ <u>205,808</u>

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2022 and 2021

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	<u>(1.6)</u>
	<u>\$ (77.6)</u>

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 \$131.5 million at June 30, 2021 to \$131.8 million at June 30, 2022. Including the Net Investment in Capital Assets section of Net Position, the year over year decrease is \$0.4 million. VSAC's unrestricted net position at June 30, 2022 and 2021 consists of the following (in millions):

	<u>2022</u>	<u>2021</u>
Cash/investments held for new bond issuance and operating reserves	\$ 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	<u>0.6</u>	<u>1.8</u>
Total unrestricted including Net Investment in Capital Assets	<u>\$ 143.1</u>	<u>\$ 143.5</u>

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 \$67.0 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 \$4.5 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2022 and 2021

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):

	<u>2022</u>	<u>2021</u>
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	<u>(5,154)</u>	<u>(6,349)</u>
	<u>\$ 27,100</u>	<u>29,555</u>

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2022 and 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2022 and 2021

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):

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

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:

	<u>2022</u>	<u>2021</u>
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	<u>364</u>	<u>415</u>
Total other loan financing costs	\$ <u>1,468</u>	\$ <u>4,038</u>

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2022 and 2021

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 for fiscal 2022 and fiscal 2021 are presented here:

	<u>2022</u>	<u>2021</u>
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	<u>(2,603)</u>	<u>(679)</u>
 Total bad debt expense	 \$ <u>(1,479)</u>	 \$ <u>(475)</u>

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:

	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 10,621	\$ 10,735
Employee healthcare costs	3,465	3,343
Other employee benefit costs	1,989	2,010
Administrative expenses	<u>6,178</u>	<u>6,291</u>
 Total Costs of Operations	 \$ <u>22,253</u>	 \$ <u>22,379</u>

Overall costs of operations represent 36.0% 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 \$4.5 million. The ending balance of net position at June 30, 2022 was \$210.3 million, as compared to \$205.8 million at June 30, 2021.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2021 and 2020

FISCAL 2021

Fiscal 2021 Highlights and Overall Financial Position

- VSAC's total net surplus for the years ended June 30, 2021 and 2020 was \$5.9 million and \$7.5 million, respectively. VSAC's total net position increased to \$205.8 million.
- Interest expense, which is a combination of bond interest costs offset by amortization of deferred gains on early bond retirement, decreased \$5.3 million from 2020 to 2021. See Interest Costs on page 19 and 20 of Management's Discussion and Analysis for details of the components of Interest Expense.
- During the year ended June 30, 2021, VSAC provided \$29.0 million in grants and scholarships to Vermont students.
- VSAC originated \$38.1 million in new loans to students and parents. VSAC holds and services \$596.6 million in education loans receivable and related interest at June 30, 2021.
- VSAC returned \$0.6 million in interest rebates to students in its loan programs during fiscal 2021.
- In fiscal 2021, VSAC paid off the 2010A and 2012B series bonds used to fund student lending activities, which released \$1.8 million in cash and \$69.7 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 Financial Conduct Authority of the United Kingdom plans to phase out the calculation and publication of most LIBOR rate calculations by the end of 2021. However, certain dollar denominated LIBOR rates that underlie VSAC's variable rate loans will continue to be published until June 30, 2023. VSAC has reviewed its bond and loan documentation in order to determine what provisions exist for substituting alternative rate indices for LIBOR. See Note 12 for further details.
- 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 during fiscal 2021 in a mostly remote capacity with no significant employment or service interruptions.

The Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 provided several relief measures to organizations from the impacts of COVID-19. VSAC received \$10.1 million in COVID-19 assistance funds designated for providing direct assistance to students. These funds were received from the State of Vermont as a pass-through from the Federal government. During fiscal 2021, VSAC disbursed \$5.6 million of this as additional student aid or applied it to student loan balances; \$4.4M was ultimately returned to the State for other priorities.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2021 and 2020

Condensed Financial Information

Statements of Net Position

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Assets:		
Cash and investments	\$ 123,908	\$ 127,881
Education loans receivable (plus interest)	596,598	658,589
Other assets	<u>18,061</u>	<u>17,972</u>
Total assets	<u>\$ 738,567</u>	<u>\$ 804,442</u>
Liabilities:		
Bonds and notes payable (plus interest)	\$ 501,554	\$ 565,607
U.S. Treasury rebates payable	4,565	4,254
Other liabilities	<u>12,181</u>	<u>16,691</u>
Total liabilities	<u>518,300</u>	<u>586,552</u>
Deferred inflows of resources:		
Deferred inflows from leasing activity	2,002	2,655
Deferred gains on early refunding of bonds payable	<u>12,457</u>	<u>15,322</u>
Total liabilities and deferred inflows of resources	<u>532,759</u>	<u>604,529</u>
Net position:		
Net investment in capital assets	11,928	12,604
Restricted	62,334	116,774
Unrestricted	<u>131,546</u>	<u>70,535</u>
Total net position	<u>205,808</u>	<u>199,913</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 738,567</u>	<u>\$ 804,442</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2021 and 2020

Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Operating revenues:		
Interest earned from education loan financing	\$ 29,555	\$ 38,222
Other loan and guarantee program revenues	2,649	3,286
Investment interest	402	1,630
Vermont state appropriations	20,004	20,930
Federal grants	8,681	5,166
Scholarship and gift income	4,948	4,851
Facility lease revenue	711	704
529 Revenue Plan	699	587
Other income	<u>2,004</u>	<u>617</u>
Total operating revenues	69,653	75,993
Operating expenses:		
Grants and scholarships	28,978	25,511
Interest rebated to borrowers	578	715
Interest on debt, net of amortization	7,903	13,243
Other loan financing costs	4,038	7,245
Corporate operating expenses and depreciation	<u>22,379</u>	<u>22,817</u>
Total operating expenses	<u>63,876</u>	<u>69,531</u>
Change in net position from operations	5,777	6,462
Contributions to permanent scholarship endowment	<u>118</u>	<u>1,013</u>
Change in net position	5,895	7,475
Net position, beginning of year	<u>199,913</u>	<u>192,438</u>
Net position, end of year	\$ <u>205,808</u>	\$ <u>199,913</u>

Net Position

Cash and investment balances decreased \$4.0 million from June 30, 2020 to June 30, 2021 from \$127.9 million to \$123.9 million. The cash balance associated with restricted bonds decreased \$9.1 million during this time. Unrestricted cash increased \$8.0 million during the year. \$4.6 million of this resulted from early payoff of restricted bonds; the remainder was due primarily to corporate loan collections and routine operating activities.

Student loans and interest receivable totaled \$596.6 million at June 30, 2021, down from \$658.6 million in 2020. This decrease is due to overall loan principal collections exceeding new loan originations in the VSAC private loan program.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2021 and 2020

Bonds and notes payable decreased \$64.0 million from \$565.6 million at June 30, 2020 to \$ 501.6 million at June 30, 2021. VSAC's financing activity in 2021 was comprised primarily of the following (in millions):

Principal payments, 2012-13-14 variable rate notes	\$ (57.8)
Principal payments, VSAC fixed rate bonds	(37.6)
Issuance of 2021A/B student loan financing bond	33.7
Principal payments, State of Vermont note payable	(0.8)
Other changes	<u>(1.5)</u>
	<u>\$ (64.0)</u>

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 audited financial statements.

U.S. Treasury rebates payable is described in the expense discussion. This liability increased as of June 30, 2021 to \$4.6 million from \$4.3 million as of June 30, 2020.

Unrestricted net position increased from \$70.5 million at June 30, 2020 to \$131.5 million at June 30, 2021. Including the Net Investment in Capital Assets section of Net Position, the year over year increase is \$60.3 million. VSAC's unrestricted net position at June 30, 2021 and 2020 consists of the following (in millions):

	<u>2021</u>	<u>2020</u>
Cash/investments held for new bond issuance and operating reserves	\$ 31.7	\$ 23.7
Investment in student loans and related interest	75.6	24.4
Physical plant	11.9	12.6
Subordinated VSAC bonds	22.5	22.5
Other	<u>1.8</u>	<u>(0.1)</u>
Total unrestricted including Net Investment in Capital Assets	<u>\$ 143.5</u>	<u>\$ 83.1</u>

Restricted net position decreased from \$116.8 million at June 30, 2020 to \$62.3 million at June 30, 2021. This decrease was primarily in the bond funds due to the payoff and asset release of the 2010A and 2012B series bonds, partially offset by the operating surplus in the bonds funds. Of the \$62.3 million, \$51.1 million is restricted by bond resolution. The remaining \$11.2 million is restricted for scholarships and grants and for programs to encourage students to pursue higher education.

Revenues

VSAC's fiscal 2021 financial results increased net position by \$5.9 million. All revenues, except donations to the permanent scholarship endowment, are considered operating revenues. VSAC realized \$69.7 million in operating revenues versus \$63.9 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2021 and 2020

Overall loan revenue of VSAC is closely related to the general interest rate environment and the amount of loans outstanding. During 2021, loan revenue decreased from \$38.2 million to \$29.6 million. The components of loan revenue are as follows (in thousands):

	<u>2021</u>	<u>2020</u>
U.S. Department of Education interest benefits	\$ 399	\$ 557
U.S. Department of Education special allowance	231	1,381
Borrower interest and fees on student loans	35,274	41,098
Borrower interest paid to Department of Education	<u>(6,349)</u>	<u>(4,814)</u>
	<u>\$ 29,555</u>	<u>\$ 38,222</u>

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 despite declining eligible loan balances because of increasing interest rate indices (LIBOR).
- 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 as overall FFEL Program loans outstanding decreased and as the LIBOR index used in the special allowance formula increased.

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 \$3.3 million in fiscal 2020 to \$2.6 million in fiscal 2021. This decrease is primarily due to decreased volumes of FFEL program loans outstanding which generate these revenues.

Interest rates on cash positions were lower during the year ended June 30, 2021 than they were for most of the prior year, resulting in lower 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 \$1.7 million in 2021 and \$0.4 million in 2020.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2021 and 2020

VSAC's State revenue recognized decreased to \$20.0 million in 2021 from \$20.9 million in 2020. State appropriation support including amounts reported as grants and scholarship income decreased from \$22.0 million to \$20.8 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 decreased mainly due to a \$0.5 million one-time appropriation in fiscal 2020, and due to a decrease in funding for the National Guard tuition program.

Federal grants were \$8.7 million in fiscal 2021 and \$5.2 million in fiscal 2020. The increase was primarily due to Federal COVID-19 relief funds received as a pass through from the State of Vermont. 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, were level at \$4.9 million in 2020 and in 2021. Additionally, donations of new permanent scholarship endowment funds, a non-operating item, were \$0.1 million and \$1.0 million in 2021 and 2020, respectively.

In fiscal 2019, VSAC began leasing excess office space in its facility. Revenues recognized under these leases was \$711 thousand and \$704 thousand in fiscal 2021 and fiscal 2020, respectively. VSAC earns fees used for administration and marketing the State's 529 higher education savings plan. These fees were \$699 thousand and \$587 thousand in fiscal 2021 and fiscal 2020, 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 \$29.0 million in student aid during fiscal 2021. Of this amount, \$21.5 million in grant aid was provided from State appropriations and COVID-19 relief funds. An additional \$7.5 million was made available through various scholarship programs managed by VSAC. Direct aid in the form of grants and scholarships represented 45.4% of VSAC's operating expenses in fiscal 2021 compared to 36.7% in 2020.

While not strictly a student aid expense, interest rebated to borrowers helps current and former students and parents manage their education debt. VSAC provided \$578 thousand in rebates of interest to borrowers in 2021, which represents 0.9% of VSAC's operating expenses in fiscal year 2021 compared to 1.0% in 2020.

It is also important to note that, while not an expense to the Corporation, a significant portion of aid to students is the \$38.1 million in new loans VSAC made available to students and parents in fiscal 2021.

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, 2021 and 2020, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2021 and 2020

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 one driver of the decrease in interest expense year over year. Additionally, VSAC's interest costs before the amortization of deferred gains on early refunding of bonds payable decreased due to lower LIBOR interest rate indices affecting the variable-rate notes beginning late in fiscal 2020 and continuing through fiscal 2021. Net of deferred gains on early refunding, this expense represents 12.4% of VSAC's operating expenses in fiscal 2021, down from 19.0% in 2020.

The components of VSAC's interest expense for 2021 and 2020 were as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Interest expense incurred on outstanding debt	\$ 10,768	\$ 17,026
Amortization of deferred gain on refunded debt	<u>(2,865)</u>	<u>(3,783)</u>
Bond interest expense recognized, net	<u>\$ 7,903</u>	<u>\$ 13,243</u>

Other Loan Financing Costs – Other loan financing expenses include a variety of other costs incurred in issuing and managing \$501.6 million in outstanding bonds and notes. These costs totaled \$4.0 million in fiscal 2021 and \$7.2 million in fiscal 2020, representing approximately 6.3% and 10.4%, respectively, of total operating expenses in these years. A high-level breakdown of Other Loan Financing in thousands) is:

	<u>2021</u>	<u>2020</u>
U.S. Treasury rebate	\$ 388	\$ 628
FFEL Consolidation fees	2,745	3,112
FFEL Guarantor costs	339	603
Bond issuance costs	626	693
Bad debt (recoveries) expense	(475)	1,688
Other costs	<u>415</u>	<u>521</u>
Total other loan financing costs	<u>\$ 4,038</u>	<u>\$ 7,245</u>

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).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED) (UNAUDITED)

Years Ended June 30, 2021 and 2020

The decrease in Bad debt expense is mainly due to a \$2.1 million reduction in loans written off in fiscal 2021 compared to fiscal 2020. This reduction is due to the decrease and aging of our student loan portfolio, as well as to certain COVID-19-related requirements which prevented student loans from aging and defaulting. (See financial statement Note 4 in the discussion regarding the Loan Loss Reserve).

Costs of Operations – The costs of operating VSAC's programs, as well as facilities and overhead costs, totaled \$22.4 million in fiscal 2021 compared to \$22.8 million in fiscal 2020. The primary components of VSAC's operating costs (in thousands) were as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Salaries and wages	\$ 10,735	\$ 10,879
Employee healthcare costs	3,343	2,772
Other employee benefit costs	2,010	2,058
Administrative expenses	<u>6,291</u>	<u>7,108</u>
Total Costs of Operations	\$ <u>22,379</u>	\$ <u>22,817</u>

Overall costs of operations represent 35.0% of total operating expenses in fiscal 2021 compared to 32.8% in 2020.

Expenses for 2021 totaled \$63.9 million. Revenues including scholarship endowment donations totaled \$69.8 million. The change in total net position for the year was an increase of \$5.9 million. The ending balance of net position at June 30, 2021 was \$205.8 million, as compared to \$199.9 million at June 30, 2020.

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

STATEMENTS OF NET POSITION

June 30, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Current assets:		
Cash and cash equivalents	\$ 58,076	\$ 41,642
Receivables		
Student loans, net	79,889	89,064
Student loan interest and special allowance	14,018	13,390
Investment interest	36	1
Federal administrative and program fees	64	85
Facility lease receivable	805	778
Other	1,076	2,007
Other assets	<u>366</u>	<u>412</u>
Total current assets	154,330	147,379
Noncurrent assets:		
Restricted cash	52,432	72,571
Scholarship endowment investments	8,835	9,695
Facility lease receivable	1,075	1,886
Student loans receivable, net	433,754	494,144
Capital assets, net	<u>11,262</u>	<u>11,929</u>
Total noncurrent assets	<u>507,358</u>	<u>590,225</u>
Total assets	661,688	737,604
Deferred outflows of resources		
Subscription-based information technology arrangements (SBITA)	<u>610</u>	<u>963</u>
Total assets & deferred outflows of resources	<u>\$ 662,298</u>	<u>\$ 738,567</u>

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Current liabilities:		
Bonds and notes payable	\$ 10,135	\$ 10,800
Accounts payable and other liabilities	2,660	2,375
Accrued interest on bonds payable	451	460
Software leases payable	344	335
Unearned revenue	<u>9,956</u>	<u>9,130</u>
Total current liabilities	23,546	23,100
Noncurrent liabilities:		
Bonds and notes payable	413,385	490,294
Software leases payable	-	341
U.S. Treasury rebates payable	<u>3,885</u>	<u>4,565</u>
Total noncurrent liabilities	<u>417,270</u>	<u>495,200</u>
Total liabilities	440,816	518,300
Deferred inflows of resources:		
Deferred facility lease revenue	1,350	2,002
Deferred gains on early refunding of bonds payable	<u>9,868</u>	<u>12,457</u>
Total liabilities and deferred inflows of resources	452,034	532,759
Net position:		
Net investment in capital assets	11,262	11,929
Restricted	67,181	62,334
Unrestricted	<u>131,821</u>	<u>131,545</u>
Total net position	<u>210,264</u>	<u>205,808</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 662,298</u>	<u>\$ 738,567</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Operating revenues:		
Interest and fees on student loans:		
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 returned to U.S. Department of Education	(5,154)	(6,349)
Vermont state grants	22,291	20,004
Interest on cash and investments	467	402
Guarantee agency administrative revenues	1,949	2,649
Federal grants	7,677	8,681
Scholarship and gift income	5,821	4,948
Facility lease revenue	712	711
529 Plan revenue	786	699
Other (loss) income	<u>(1,079)</u>	<u>2,004</u>
Total operating revenues	65,724	69,653
Operating expenses:		
Interest, net of amortization of bond premium and deferred gains on early refunding of bonds payable	7,267	7,903
Salaries and benefits	16,075	16,088
Grants and scholarships	29,961	28,978
Interest rebated to borrowers	910	578
Other general and administrative	5,379	5,406
Interest subject to U.S. Treasury rebate	(606)	388
Consolidation and lender paid fees	2,357	2,745
Other loan related expenses	627	754
Change in provision for losses on student loans	(1,479)	(475)
Depreciation	799	885
Bond issuance costs	<u>569</u>	<u>626</u>
Total operating expenses	<u>61,859</u>	<u>63,876</u>
Change in net position from operations	3,865	5,777
Contributions to permanent scholarship endowment	<u>591</u>	<u>118</u>
Change in net position	4,456	5,895
Net position, beginning of year	<u>205,808</u>	<u>199,913</u>
Net position, end of year	<u>\$ 210,264</u>	<u>\$ 205,808</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Cash flows from operating activities:		
Cash received from customers, donors and governments	\$ 21,025	\$ 14,643
Principal payments received on student loans	116,323	106,202
Cash paid to suppliers for goods and services	(8,871)	(14,901)
Grants and scholarship disbursements	(29,961)	(28,978)
Loans made	(39,629)	(38,080)
Cash paid to employees for salaries and benefits	(16,150)	(15,989)
Interest and fees received on student loans	18,342	23,257
Vermont state appropriations received	<u>22,291</u>	<u>22,652</u>
Net cash provided by operating activities	83,370	68,806
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds payable	20,449	33,660
Payments on bonds payable	(96,352)	(96,242)
Decrease in restricted cash	20,139	9,072
Interest paid to bond holders	<u>(11,535)</u>	<u>(12,238)</u>
Net cash used by noncapital financing activities	(67,299)	(65,748)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	<u>(132)</u>	<u>(210)</u>
Net cash used by capital and related financing activities	(132)	(210)
Cash flows from investing activities:		
Interest received on cash and investments	431	413
Contributions to permanent scholarship endowment	591	118
Purchase of investments	(1,229)	(1,470)
Proceeds from sale of investments	<u>702</u>	<u>1,405</u>
Net cash provided by investing activities	<u>495</u>	<u>466</u>
Net increase in cash and cash equivalents	16,434	3,314
Cash and cash equivalents, beginning of year	<u>41,642</u>	<u>38,328</u>
Cash and cash equivalents, end of year	<u>\$ 58,076</u>	<u>\$ 41,642</u>
Supplemental disclosure of non-cash operating activities:		
Student loan interest capitalized	<u>\$ 6,296</u>	<u>\$ 7,140</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Reconciliation of change in net position from operations to net cash provided by operating activities:		
Change in net position from operations	\$ 3,865	\$ 5,777
Adjustments to reconcile change in net position from operations to net cash provided by operating activities:		
Depreciation	799	885
Change in provision for losses on student loans	(1,479)	(475)
Net amortization of bond premium	(1,671)	(1,470)
Amortization of deferred cost of SBITA	353	350
Amortization of deferred facility lease revenue	(652)	(652)
Amortization of deferred gains on early refunding of bonds payable	(2,588)	(2,865)
Net realized and unrealized gains on investments	1,387	(1,721)
Investment interest received	(431)	(412)
Interest paid to bond holders	11,535	12,238
Change in SBITA liabilities	(353)	(359)
Lease receivable payments, net of fit up costs paid	784	741
Changes in operating assets and liabilities:		
Investment interest receivable	(36)	11
Student loans receivable	71,044	61,269
Student loan interest receivable	(628)	1,196
Federal administrative and program fees receivable	21	9
Other receivables	931	(968)
Other assets	46	47
Accounts payable and other liabilities	306	(204)
Unearned revenue	826	(4,902)
Accrued interest on bonds payable	(9)	-
U.S. Treasury rebates payable	<u>(680)</u>	<u>311</u>
Total adjustments	<u>79,505</u>	<u>63,029</u>
Net cash provided by operating activities	<u>\$ 83,370</u>	<u>\$ 68,806</u>

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 FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2022 and 2021

As of June 30, 2022

	Federal Loan Reserve Fund	VHEIP	Total
	(In Thousands)		
<u>Assets held for others</u>			
Cash and cash equivalents	\$ 10,642	\$ 635	\$ 11,277
Investments	-	533,146	533,146
Due from U.S. Department of Education	-	-	-
Other assets	<u>679</u>	<u>-</u>	<u>679</u>
Total assets	<u>\$11,321</u>	<u>\$533,781</u>	<u>\$545,102</u>
<u>Liabilities</u>			
Accounts payable and other liabilities	\$ 411	\$ 143	\$ 554
Amounts held on behalf of investors	-	533,638	533,638
Federal loan reserve funds held for U.S. Department of Education	<u>10,910</u>	<u>-</u>	<u>10,910</u>
Total liabilities	<u>\$11,321</u>	<u>\$533,781</u>	<u>\$545,102</u>

As of June 30, 2021

	Federal Loan Reserve Fund	VHEIP	Total
	(In Thousands)		
<u>Assets held for others</u>			
Cash and cash equivalents	\$14,128	\$ 565	\$ 14,693
Investments	-	573,348	573,348
Due from U.S. Department of Education	<u>389</u>	<u>-</u>	<u>389</u>
Total assets	<u>\$14,517</u>	<u>\$573,913</u>	<u>\$ 588,430</u>
<u>Liabilities</u>			
Accounts payable and other liabilities	\$ 1,314	\$ 166	\$ 1,480
Amounts held on behalf of investors	-	573,747	573,747
Federal loan reserve funds held for U.S. Department of Education	<u>13,203</u>	<u>-</u>	<u>13,203</u>
Total liabilities	<u>\$14,517</u>	<u>\$573,913</u>	<u>\$ 588,430</u>

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

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. 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.

The activity for the fiduciary funds described in Notes 5 and 6 is not included in the entity-wide financial statements for VSAC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

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 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 on June 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for financial statements for periods beginning after June 15, 2022, and earlier application is encouraged. This statement requires that certain Software as a Service transactions (Subscription-Based Information Technology Arrangements or SBITA) be accounted for using rules similar to those required for long term leases as outlined in GASB Statement 87, *Leases*. 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, 2022, resulting 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.

During the fiscal year ended the GASB issued certain other statements including Number 98 (*The Annual Comprehensive Financial Report*) and Number 99 (*Omnibus 2022*). VSAC has reviewed these and implemented them where applicable and material.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

2. Summary of Significant Accounting Policies (Continued)

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. VSAC's unrestricted net position is generally reserved for educational assistance purposes.

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.

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*.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

2. Summary of Significant Accounting Policies (Continued)

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 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.

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. 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*.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

2. Summary of Significant Accounting Policies (Concluded)

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, 2022 and 2021, interest expense has been reduced by \$2,588 and \$2,865, 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, 2022 and 2021, \$712 and \$711, respectively, was recognized as facility lease revenue.

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 until they become unrestricted. 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

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.

Cash and Cash Equivalents

The carrying amounts which represent both cost and fair value of cash and cash equivalents as of June 30, 2022 and 2021 are presented below:

	<u>2022</u>	<u>2021</u>
Cash	\$ 59,086	\$ 42,198
Money market accounts	<u>51,422</u>	<u>72,015</u>
	<u>\$ 110,508</u>	<u>\$ 114,213</u>

During the second half of the year ended June 30, 2020, VSAC began the process of transitioning its primary banking relationship from KeyBank to Peoples United Bank. This transition was pursuant to an RFP bid process. VSAC concluded this transition during the year ended June 30, 2021.

At June 30, 2022 and 2021, cash is comprised of various commercial bank accounts. The bank balances at June 30, 2022 were \$59,532 and the bank balances at June 30, 2021 were \$42,510. 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, 2022, \$845 of the bank balances were covered by Federal Deposit Insurance Corporation (FDIC) insurance, \$59,291 of the bank balances were secured using a collateralization agreement with Peoples United Bank, and the remaining bank balances are uncollateralized. As of June 30, 2021, \$597 of the bank balances were covered by FDIC insurance, and the remaining balances were uncollateralized.

At June 30, 2022 and 2021, 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, 2022 and 2021, \$52,432 and \$72,571, respectively, of restricted cash is limited to its use for the repayment of bond and note obligations.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

3. Cash, Cash Equivalents and Investments (Continued)

Credit Risk: 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: 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.

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, 2022 and 2021. Investments in intermediate term U.S. Government bonds represent 42% and 40% of VSAC's scholarship investments at June 30, 2022 and 2021, respectively.

Custodial Credit Risk: All of the investments are held by VSAC's agent in VSAC's name.

Fair Value Measurement

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(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, 2022 and 2021:

	2022			2021		
	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>
Domestic equities	\$2,827	\$ 4,120	1	\$ 2,554	\$4,722	1
International equities	969	1,011	1	819	1,138	1
Government bonds and notes	<u>4,084</u>	<u>3,704</u>	1	<u>3,808</u>	<u>3,835</u>	1
	<u>\$7,880</u>	<u>\$ 8,835</u>		<u>\$ 7,181</u>	<u>\$9,695</u>	

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, 2022, VSAC held student loans with interest rates ranging from 1.79% to 9.0%, the majority insured by ED and the U.S. Department of Health and Human Services; at June 30, 2021, the interest rates ranged from 1.56% to 9.0%. At June 30, 2022 and 2021, approximately 51.1% and 47.2%, 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

4. Student Loans Receivable (Continued)

Student loans receivable as of June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Status:		
Interim status	\$ 23,907	\$ 26,086
Deferral status	19,801	24,878
Repayment status	490,898	555,810
Less: Allowance for loan losses	<u>(20,963)</u>	<u>(23,566)</u>
 Total student loans receivable	 513,643	 583,208
Less: Noncurrent student loans receivable	<u>433,754</u>	<u>494,144</u>
 Current student loans receivable	 <u>\$ 79,889</u>	 <u>\$ 89,064</u>
 Guarantee type:		
U.S. Department of Education	\$ 259,980	\$ 318,149
U.S. Department of Health and Human Services	62	86
Other – Guaranteed	1,505	2,383
Nonguaranteed	273,059	286,156
Less: Allowance for loan losses	<u>(20,963)</u>	<u>(23,566)</u>
 Total student loans receivable	 513,643	 583,208
Less: Noncurrent student loans receivable	<u>433,754</u>	<u>494,144</u>
 Current student loans receivable	 <u>\$ 79,889</u>	 <u>\$ 89,064</u>

As of June 30, 2022 and 2021, \$466,125 and \$523,618 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, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Balance, July 1	\$ 23,566	\$ 24,245
Net loans charged off	(1,124)	(204)
Provision for losses on student loans	<u>(1,479)</u>	<u>(475)</u>
 Balance, June 30	 <u>\$ 20,963</u>	 <u>\$ 23,566</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

4. Student Loans Receivable (Concluded)

At June 30, 2022 and 2021, \$10,798 and \$8,893, respectively, of student loans receivable were over 90 days past due, of which all but \$2,260 and \$2,301, respectively, were guaranteed by one of the guarantee types shown above. The portion of the loss reserve at June 30, 2022 and 2021 which relates to non-guaranteed loans was \$20,626 and \$23,095, respectively.

5. Net Assets Held for the U.S. Department of Education

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.

Changes in Federal Loan Reserve Funds held for ED for the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
<i>Additions:</i>		
Reimbursement from ED on default loan purchases	\$ 6,284	\$ 2,122
Default loan collections	110	265
Investment income	25	22
Other loan administrative fees	<u>2,988</u>	<u>801</u>
Total additions	<u>9,407</u>	<u>3,210</u>
<i>Deductions:</i>		
Purchases of defaulted loans from lenders	6,261	2,106
Other, net	<u>5,439</u>	<u>2,201</u>
Total deductions	<u>11,700</u>	<u>4,307</u>
Net increase in federal loan reserve funds held	(2,293)	(1,097)
Federal Loan Reserve Funds held, at beginning of year	<u>13,203</u>	<u>14,300</u>
Federal Loan Reserve Funds held, at end of year	\$ <u><u>10,910</u></u>	\$ <u><u>13,203</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

5. Net Assets Held for the U.S. Department of Education (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 student loans guaranteed. During 2022 and 2021, VSAC maintained sufficient reserves to fully comply with these requirements.

Total outstanding loans issued under the FFEL Program were \$259,980 and \$318,149 at June 30, 2022 and 2021, respectively. Defaults on FFEL Program loan guarantees are paid by ED through the Federal Loan Reserve Fund.

6. Net Assets Held for 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 Treasury Obligations/Principal Plus Interest Option. Aside from the Treasury Obligations/Principal Plus Interest Option which is guaranteed by the U.S. government, investments in these investment options are not guaranteed.

The changes in assets held on behalf of investors for the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
<i>Additions:</i>		
Investment income	\$ 13,498	\$ 7,901
Net realized and unrealized gains(losses)	(80,444)	85,098
Net participant subscriptions/redemptions	<u>26,837</u>	<u>33,282</u>
Total additions	(40,109)	126,281
Net amount held on behalf of investors, at beginning of year	<u>573,747</u>	<u>447,466</u>
Net amount held on behalf of investors, at end of year	<u>\$ 533,638</u>	<u>\$ 573,747</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

7. Capital Assets

A summary of capital assets activity for the years ended June 30, 2022 and 2021 was as follows:

	<u>Estimated Lives</u>	Balance June 30, 2020	Net Increase (Decrease)	Balance June 30, 2021	Net Increase (Decrease)	Balance June 30, 2022
Land	–	\$ 3,150	\$ -	\$ 3,150	\$ -	\$ 3,150
Furniture and equipment	3 – 15 Years	3,352	(251)	3,101	70	3,171
Software	3 – 5 Years	1,674	(165)	1,509	(4)	1,505
Building	5 – 30 Years	<u>17,407</u>	<u>-</u>	<u>17,407</u>	<u>-</u>	<u>17,407</u>
		25,583	(416)	25,167	66	25,233
Less accumulated depreciation		<u>12,979</u>	<u>259</u>	<u>13,238</u>	<u>733</u>	<u>13,971</u>
Capital assets, net		\$ <u>12,604</u>	\$ <u>(675)</u>	\$ <u>11,929</u>	\$ <u>(667)</u>	\$ <u>11,262</u>

Depreciation charged to operations for the years ended June 30, 2022 and 2021 was \$799 and \$885, respectively.

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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,664	\$ 3,405
Resource inflows	<u>(784)</u>	<u>(741)</u>
Balance end of year	1,880	2,664
Less: non-current portion	<u>(1,075)</u>	<u>(1,886)</u>
Current portion	\$ <u>805</u>	\$ <u>778</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

8. Leases (Concluded)

During the years ended June 30, 2022 and 2021, VSAC recognized \$712 and \$711, respectively, in facility lease revenues amortized from the deferred inflow of resources. During these same periods, VSAC realized \$140 and \$187 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 ends on February 28, 2023 and may be extended at the tenant's option for up to two three-year periods.

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.

9. Subscription-Based Information Technology Arrangements

In May of 2020 the GASB issued Statement No. 96. *Subscription-Based Information Technology Arrangements* (SBITA), as outlined in Note 2 above. VSAC implemented this Statement during the fiscal year ended June 30, 2022. This implementation required restatement of previously issued financial statement information in a format and calculation comparable to current year amounts.

After reviewing all pre-existing and new contracts for Software as a Service, 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. The agreements for these SBITA have durations of three to five years and their expiration dates are between May 2022 and April 2024.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

9. Subscription-Based Information Technology Arrangements (Concluded)

A summary of the SBITA-related deferred outflows of resources as of and for the years ended June 30, 2022 and 2021 is as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Balance, June 30, 2020, restated	\$ 1,141	\$ (781)	\$ 360
Addition to deferred outflows of resources	953	0	953
Recognition of SBITA expense	<u>0</u>	<u>(350)</u>	<u>(350)</u>
Balance, June 30, 2021, restated	\$ 2,094	\$ (1,131)	\$ 963
Recognition of SBITA expense	<u>0</u>	<u>(353)</u>	<u>(353)</u>
Balance, June 30, 2022	<u>\$ 2,094</u>	<u>\$ (1,484)</u>	<u>\$ 610</u>

A summary of the SBITA-related liability as of and for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 671	\$ 0
Restatement of June 30, 2020 amounts	<u>0</u>	<u>81</u>
Beginning balance, restated	671	81
Addition to deferred outflow or resources	0	953
Resource outflows	<u>(330)</u>	<u>(363)</u>
Balance, end of year	341	671
Less: non-current portion	<u>0</u>	<u>(341)</u>
Current portion	<u>\$ 341</u>	<u>\$ 330</u>

Additionally, the balances in the statement of net position for this activity reflect accrued interest payable of \$3 and \$5 at June 30, 2022 and 2021.

As of June 30, 2022, the entire remaining balance of \$341 is due within the next twelve months; related interest payments that will be due during this period total \$12. No future payments will extend further in the future than this per current contracts.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

10. Bonds and Notes Payable

VSAC has issued the following bonds and notes payable at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<i><u>Bonds and Notes Payable which were issued to finance the origination of student loans:</u></i>		
2011 Series A-1 dated July 26, 2011; comprised of fixed-rate bonds maturing between December 15, 2013 and 2025; interest is fixed and payable semi-annually at rates ranging from 3% to 5%.	-	1,605
2012 Series A-1 dated July 17, 2012; comprised of fixed-rate bonds maturing between June 15, 2018 and 2031; interest is fixed and payable semi-annually at rates ranging from 2.875% to 5.1%.	-	2,800
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% (2.33271% at June 30, 2022).	138,257	174,587
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% (2.38271% at June 30, 2022).	62,322	78,198
2013 Series A-1 dated July 2, 2013; comprised of fixed-rate bonds maturing between June 15, 2018 and 2030; interest is fixed and payable semi-annually at rates ranging from 2.1% to 4.65%.	-	2,125
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%.	9,530	12,460
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% (2.63271% at June 30, 2022).	15,278	18,274
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%.	8,605	11,075
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%.	12,795	16,530

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

10. Bonds and Notes Payable (Continued)

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%.	25,565	31,270
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%.	22,245	25,725
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%.	27,445	32,170
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%.	30,355	36,630
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%.	25,540	30,840
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%.	<u>20,245</u>	<u>-</u>
Total bonds and notes payable	415,932	492,039
Bond premium/discount, net	<u>7,588</u>	<u>9,055</u>
Total bonds and notes payable, net of bond premium/discount	423,520	501,094
Less: current portion of bonds and notes payable	<u>10,135</u>	<u>10,800</u>
Noncurrent portion of bonds and notes payable	<u>\$ 413,385</u>	<u>\$ 490,294</u>

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

10. 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 2011 series A-1 trust included the Moral Obligation of the State of Vermont providing for the restoration by the State of certain required cash reserve balances of the 2011 Trust in the event they were to be utilized by the trust to maintain liquidity. Any draw of the Moral Obligation by the 2011 Trust would be subject to repayment from the assets of the 2011 Trust. To date, the 2011 Trust has not requested or received any State funding under this provision. The 2011A bonds were completely paid off in December 2021. The remaining bonds and notes have no additional credit or liquidity support.

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, 2022, 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, 2022 and 2021, respectively, \$52,468 and \$72,571 in cash and investment interest receivable were pledged as security on the notes and bonds payable. At June 30, 2022 and 2021, respectively, \$465,639 and \$521,438 in student loan principal and interest were pledged as security on the notes and bonds payable.

During the years ended June 30, 2022 and 2021, amortized deferred gains from prior year financed bond refundings of \$2,588 and \$2,865, respectively, are included as a reduction to interest expense.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

10. Bonds and Notes Payable (Concluded)

The following summarizes the debt activity for VSAC for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 501,094	\$ 565,147
Issuance	20,245	30,840
Premium on issuance	204	2,819
Redemptions, extinguishments, and refunding	(96,352)	(96,242)
Accretion/amortization of discount/premium	<u>(1,671)</u>	<u>(1,470)</u>
Balance, end of year	\$ <u>423,520</u>	\$ <u>501,094</u>

The debt service requirements, which are based on the interest rates at June 30, 2022, through the fiscal year ending (FY) 2026 and in five-year increments thereafter to maturity for VSAC are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY23	\$ 10,135	\$ 10,910	\$ 21,045
FY24	12,675	10,398	23,073
FY25	12,995	9,764	22,759
FY26	16,765	9,120	25,885
FY27	15,610	8,318	23,928
FY28 – 32	56,340	31,203	87,543
FY33 – 37	232,794	17,934	250,728
FY38 – 42	25,590	6,981	32,571
FY43 – 47	<u>33,028</u>	<u>3,074</u>	<u>36,102</u>
Total	\$ <u>415,932</u>	\$ <u>107,702</u>	\$ <u>523,634</u>

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.

11. 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, 2022 and 2021 of \$3,885 and \$4,565, respectively. VSAC has calculated that there is no estimated current portion at June 30, 2022 or June 30, 2021. VSAC refunded \$16 and \$14 respectively in excess earnings to the U.S. Treasury in 2022 and 2021, in connection with final bond redemptions.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

12. 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 \$5,154 and \$6,349 in 2022 and 2021, 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.

As indicated above and in Note 10, VSAC holds student loans and variable rate notes payable whose interest (or overall return including special allowance) is linked to LIBOR. The Financial Conduct Authority of the United Kingdom has indicated it plans to phase out the calculation and publication of LIBOR by the end of 2022. However, certain dollar denominated LIBOR rates that underlie VSAC's variable rate loans will continue to be published until June 30, 2023. VSAC on June 30, 2022, held \$252,341 in FFEL Program student loans and \$58,307 in private loans with a rate or total return based on LIBOR. As of that same date, the balance of VSAC notes payable held by third parties with a variable rate based on LIBOR was \$215,857. VSAC is in consultation with bond counsel and reviewing its loan documentation in order to determine what provisions exist for substituting alternative rate indices for 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 LIBOR rates used as reference rates by certain of VSAC's bonds and student loans will expire on June 30, 2023.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

13. 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, 2022 and 2021, the total net position related to endowment funds was \$8,911 and \$9,735, respectively. Expendable restricted net position totaled \$999 and \$858, respectively. The remaining \$7,912 and \$8,877, respectively, of net position related to endowment funds were nonexpendable.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

14. 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Expendable - restricted by bond resolutions	\$ 55,556	\$ 51,164
Expendable - restricted by federal or state statute or donors	2,714	1,435
Expendable – income is donor restricted for scholarships	999	858
Nonexpendable – income is donor restricted for scholarships	<u>7,912</u>	<u>8,877</u>
 Total restricted net position	 <u>\$ 67,181</u>	 <u>\$ 62,334</u>

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 \$9,868 and \$12,457 at June 30, 2022 and 2021, 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 12 years and 13 years as of June 30, 2022 and 2021, respectively.

15. 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, 2022 and 2021 amounted to \$10,491 and \$9,703, respectively; VSAC’s total payroll was \$10,621 and \$10,736, respectively. Total contributions by VSAC amounted to \$1,073 and \$1,074 in 2022 and 2021, respectively, which represented an average of 10.9% and 10.2% 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, 2022 and 2021.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

16. 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 300	\$ 276
Claims paid	(3,497)	(3,279)
Accrual for estimated claims	<u>3,426</u>	<u>3,303</u>
Balance, end of year	\$ <u>229</u>	\$ <u>300</u>

As of June 30, 2022 and 2021, management believes VSAC has no pending legal actions an unfavorable outcome of which would have a material effect.

17. Loan Commitments

At June 30, 2022 and 2021, VSAC had commitments to extend credit for non-guaranteed student loans of approximately \$3,174 and \$2,854, 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

18. 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 is 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 has responded with relief legislation as a response to the COVID-19 outbreak. The U.S government has 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) authorize emergency loans to distressed businesses by establishing, and providing funding for, forgivable bridge loans, 2) provide additional funding for grants and technical assistance, 3) delay due dates for employer payroll taxes and estimated tax payments for organizations, and 4) revise 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.

In 2021 VSAC was awarded approximately \$10.1 million in Coronavirus Relief Funds designated for providing direct assistance to students. These funds were received as pass-through funds from the state of Vermont and were funded by the CARES act. During fiscal 2021, VSAC disbursed \$5.6 million of this as additional student aid or applied it to student loan balances; \$4.4 million was ultimately returned to the State for other priorities.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

19. Segment Reporting

VSAC has elected to disclose the activities of VSAC's 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)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

19. Segment Reporting (Continued)

VSAC's segment financial reporting at June 30, 2022 and for the year then ended is as follows:

Condensed Statement of Net Position

	<u>Operations</u>	<u>Bond Funds</u>	<u>Scholarships</u>	<u>Grants</u>	<u>Elimination</u>	<u>Consolidated</u>
Assets						
Current assets	\$ 58,472	\$ 83,568	\$ 8,634	\$ 3,673	\$ (17)	\$ 154,330
Capital assets	11,262	-	-	-	-	11,262
Other assets & deferred outflows of resources	76,744	433,627	8,835	-	(22,500)	496,706
Interfund receivable	1,209	-	-	-	(1,209)	-
Total assets	<u>\$ 147,687</u>	<u>\$ 517,195</u>	<u>\$ 17,469</u>	<u>\$ 3,673</u>	<u>\$ (23,726)</u>	<u>\$ 662,298</u>
Liabilities						
Current liabilities	\$ 3,254	\$ 10,798	\$ 8,553	\$ 958	\$ (17)	\$ 23,546
Non-current liabilities	-	439,770	-	-	(22,500)	417,270
Interfund payable	-	1,204	5	-	(1,209)	-
Total liabilities	<u>3,254</u>	<u>451,772</u>	<u>8,558</u>	<u>958</u>	<u>(23,726)</u>	<u>440,816</u>
Deferred inflows of resources	1,350	9,868	-	-	-	11,218
Net position						
Net investment in capital assets	11,262	-	-	-	-	11,262
Restricted	-	55,555	8,911	2,715	-	67,181
Unrestricted	131,821	-	-	-	-	131,821
Total net position	<u>143,083</u>	<u>55,555</u>	<u>8,911</u>	<u>2,715</u>	<u>-</u>	<u>210,264</u>
Total liabilities, deferred inflows and net position	<u>\$ 147,687</u>	<u>\$ 517,195</u>	<u>\$ 17,469</u>	<u>\$ 3,673</u>	<u>\$ (23,726)</u>	<u>\$ 662,298</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

19. Segment Reporting (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Operations</u>	<u>Bond Funds</u>	<u>Scholarships</u>	<u>Grants</u>	<u>Elimination</u>	<u>Consolidated</u>
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	-	3,419	103	-	7,677
Scholarship and gift revenue	-	-	5,821	-	-	5,821
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	<u>12,461</u>	<u>24,151</u>	<u>8,208</u>	<u>21,616</u>	<u>(712)</u>	<u>65,724</u>
Expenses						
Operating and program expenses	15,839	15,166	9,930	20,837	(712)	61,060
Depreciation	799	-	-	-	-	799
Total operating expenses	<u>16,638</u>	<u>15,166</u>	<u>9,930</u>	<u>20,837</u>	<u>(712)</u>	<u>61,859</u>
(Deficit) excess of operating revenues over expenses	(4,177)	8,985	(1,722)	779	-	3,865
Non-operating revenues and expenses						
Contribution to permanent scholarship endowment	-	-	591	-	-	591
Interfund transfers	3,786	(4,594)	307	501	-	-
Change in net position	(391)	4,391	(824)	1,280	-	4,456
Net position, beginning of the year	<u>143,474</u>	<u>51,164</u>	<u>9,735</u>	<u>1,435</u>	<u>-</u>	<u>205,808</u>
Net position, end of the year	<u>\$ 143,083</u>	<u>\$ 55,555</u>	<u>\$ 8,911</u>	<u>\$ 2,715</u>	<u>\$ -</u>	<u>\$ 210,264</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

19. Segment Reporting (Continued)

Condensed Statement of Cash Flows

	<u>Operations</u>	<u>Bond Funds</u>	<u>Scholarships</u>	<u>Grants</u>	<u>Elimination</u>	<u>Consolidated</u>
Cash provided by operations	\$ 13,302	\$ 67,254	\$ 38	\$ 2,067	\$ 709	\$ 83,370
Cash used by noncapital financing activities	-	(67,299)	-	-	-	(67,299)
Cash used by capital and related financing activities	(132)	-	-	-	-	(132)
Cash provided by investing activities	946	45	213	-	(709)	495
Net increase in cash and cash equivalents	14,116	-	251	2,067	-	16,434
Cash and cash equivalents, beginning of year	31,685	-	8,383	1,574	-	41,642
Cash and cash equivalents, end of year	<u>\$ 45,801</u>	<u>\$ -</u>	<u>\$ 8,634</u>	<u>\$ 3,641</u>	<u>\$ -</u>	<u>\$ 58,076</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

19. Segment Reporting (Continued)

VSAC's segment financial reporting at June 30, 2021 and for the year then ended is as follows:

Condensed Statement of Net Position

	<u>Operations</u>	<u>Bond Funds</u>	<u>Scholarships</u>	<u>Grants</u>	<u>Elimination</u>	<u>Consolidated</u>
Assets						
Current assets	\$ 47,099	\$ 90,323	\$ 8,382	\$ 1,589	\$ (14)	\$ 147,379
Capital assets	11,929	-	-	-	-	11,929
Other assets & deferred outflows of resources	88,792	503,272	9,695	-	(22,500)	579,259
Interfund receivable	1,434	-	-	-	(1,434)	-
Total assets	<u>\$ 149,254</u>	<u>\$ 593,595</u>	<u>\$ 18,077</u>	<u>\$ 1,589</u>	<u>\$ (23,948)</u>	<u>\$ 738,567</u>
Liabilities						
Current liabilities	3,437	11,186	8,337	154	(14)	23,100
Non-current liabilities	341	517,359	-	-	(22,500)	495,200
Interfund payable	-	1,429	5	-	(1,434)	-
Total liabilities	<u>3,778</u>	<u>529,974</u>	<u>8,342</u>	<u>154</u>	<u>(23,948)</u>	<u>518,300</u>
Deferred inflows of resources	2,002	12,457	-	-	-	14,459
Net position						
Net investment in capital assets	11,928	-	-	-	-	11,928
Restricted	-	51,164	9,735	1,435	-	62,334
Unrestricted	131,546	-	-	-	-	131,546
Total net position	<u>143,474</u>	<u>51,164</u>	<u>9,735</u>	<u>1,435</u>	<u>-</u>	<u>205,808</u>
Total liabilities, deferred inflows and net position	<u>\$ 149,254</u>	<u>\$ 593,595</u>	<u>\$ 18,077</u>	<u>\$ 1,589</u>	<u>\$ (23,948)</u>	<u>\$ 738,567</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

19. Segment Reporting (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Operations</u>	<u>Bond Funds</u>	<u>Scholarships</u>	<u>Grants</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues						
Revenue from education loan financing	\$ 2,045	\$ 27,510	\$ -	\$ -	\$ -	\$ 29,555
Guarantee program revenues	2,649	-	-	-	-	2,649
Vermont State appropriations	222	-	93	19,689	-	20,004
Federal grants	4,400	-	2,275	2,006	-	8,681
Scholarship and gift revenue	-	-	4,948	-	-	4,948
Facility lease / 529 revenue	1,410	-	-	-	-	1,410
Investment interest and other revenue	1,219	14	1,853	-	(680)	2,406
Total operating revenues	<u>11,945</u>	<u>27,524</u>	<u>9,169</u>	<u>21,695</u>	<u>(680)</u>	<u>69,653</u>
Expenses						
Operating and program expenses	18,182	15,740	7,782	21,967	(680)	62,991
Depreciation	885	-	-	-	-	885
Total operating expenses	<u>19,067</u>	<u>15,740</u>	<u>7,782</u>	<u>21,967</u>	<u>(680)</u>	<u>63,876</u>
(Deficit) excess of operating revenues over expenses	(7,122)	11,784	1,387	(272)	-	5,777
Non-operating revenues and expenses						
Contribution to permanent scholarship endowment	-	-	118	-	-	118
Interfund transfers	67,457	(68,228)	288	483	-	-
Change in net position	60,335	(56,444)	1,793	211	-	5,895
Net position, beginning of the year	<u>83,139</u>	<u>107,608</u>	<u>7,942</u>	<u>1,224</u>	<u>-</u>	<u>199,913</u>
Net position, end of the year	<u>\$ 143,474</u>	<u>\$ 51,164</u>	<u>\$ 9,735</u>	<u>\$ 1,435</u>	<u>\$ -</u>	<u>\$ 205,808</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

(Dollars in Thousands)

19. Segment Reporting (Concluded)

Condensed Statement of Cash Flows

	<u>Operations</u>	<u>Bond Funds</u>	<u>Scholarships</u>	<u>Grants</u>	<u>Elimination</u>	<u>Consolidated</u>
Cash provided by operations	\$ 8,083	\$ 64,924	\$ (29)	\$ (4,842)	\$ 670	\$ 68,806
Cash used by noncapital financing activities	(808)	(64,940)	-	-	-	(65,748)
Cash used by capital and related financing activities	(210)	-	-	-	-	(210)
Cash provided by investing activities	934	16	186	-	(\$670)	466
Net increase in cash and cash equivalents	7,999	-	157	(4,842)	-	3,314
Cash and cash equivalents, beginning of year	23,686	-	8,226	6,416	-	38,328
Cash and cash equivalents, end of year	<u>\$ 31,685</u>	<u>\$ -</u>	<u>\$ 8,383</u>	<u>\$ 1,574</u>	<u>\$ -</u>	<u>\$ 41,642</u>

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

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS

Year Ended June 30, 2022

(Dollars in Thousands)

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>
<u>FEDERAL LOAN RESERVE FUND</u>				
<u>Assets held for others</u>				
Cash and cash equivalents	\$ 14,128	\$ 10,106	\$ 13,592	\$ 10,642
Due from U.S. Department of Education	<u>389</u>	<u>12,673</u>	<u>12,383</u>	<u>679</u>
Total assets	<u>\$ 14,517</u>	<u>\$ 22,779</u>	<u>\$ 25,975</u>	<u>\$ 11,321</u>
<u>Liabilities</u>				
Accounts payable and other liabilities	\$ 1,314	\$ 12,771	\$ 13,674	\$ 411
Federal loan reserve funds held				
U.S. Department of Education	<u>13,203</u>	<u>9,672</u>	<u>11,965</u>	<u>10,910</u>
Total liabilities	<u>\$ 14,517</u>	<u>\$ 22,443</u>	<u>\$ 25,639</u>	<u>\$ 11,321</u>
<u>VHEIP</u>				
<u>Assets held for others</u>				
Cash and cash equivalents	\$ 565	\$ 13,032	\$ 12,962	\$ 635
Investments	<u>573,348</u>	<u>56,364</u>	<u>96,566</u>	<u>533,146</u>
Total assets	<u>\$ 573,913</u>	<u>\$ 69,396</u>	<u>\$ 109,528</u>	<u>\$ 533,781</u>
<u>Liabilities</u>				
Accounts payable and other liabilities	\$ 166	\$ 1,849	\$ 1,872	\$ 143
Amounts held on behalf of investors	<u>573,747</u>	<u>99,535</u>	<u>139,644</u>	<u>533,638</u>
Total liabilities	<u>\$ 573,913</u>	<u>\$ 101,384</u>	<u>\$ 141,516</u>	<u>\$ 533,781</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets held for others</u>				
Cash and cash equivalents	\$ 14,693	\$ 23,138	\$ 26,554	\$ 11,277
Investments	573,348	56,364	96,566	533,146
Due from U.S. Department of Education	<u>389</u>	<u>12,673</u>	<u>12,383</u>	<u>679</u>
Total assets	<u>\$ 588,430</u>	<u>\$ 92,175</u>	<u>\$ 135,503</u>	<u>\$ 545,102</u>
<u>Liabilities</u>				
Accounts payable and other liabilities	\$ 1,480	\$ 14,620	\$ 15,546	\$ 554
Amounts held on behalf of investors	573,747	99,535	139,644	533,638
Federal loan reserve funds held				
U.S. Department of Education	<u>13,203</u>	<u>9,672</u>	<u>11,965</u>	<u>10,910</u>
Total liabilities	<u>\$ 588,430</u>	<u>\$ 123,827</u>	<u>\$ 167,155</u>	<u>\$ 545,102</u>