

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

Financial Statements and Supplementary Information

Years Ended June 30, 2026 and 2025

VERMONT STUDENT ASSISTANCE CORPORATION

(A Component Unit of the State of Vermont)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended June 30, 2026 and 2025

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vermont Student Assistance Corporation
Winooski, Vermont

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Vermont Student Assistance Corporation (the Corporation), a component unit of the State of Vermont, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

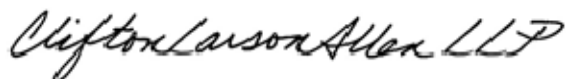
Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 opinions on the financial statements that collectively comprise the Vermont Student Assistance Corporation's basic financial statements. The statements of revenues, expenses, and changes in net position by operating segment are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the statements of revenues, expenses, and changes in net position by operating segment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2026 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Andover, Massachusetts
September 21, 2026

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Years Ended June 30, 2026 and 2025

Overview of VSAC

The Vermont Student Assistance Corporation (VSAC or the Corporation) is a public nonprofit corporation created by the Vermont Legislature in 1965 as an instrumentality and agency of the State of Vermont under Chapter 87 of Title 16, Vermont Statutes Annotated. VSAC's mission is to ensure that Vermont students and families have the information, guidance, and financial resources needed to pursue education or training beyond high school.

VSAC administers state funded grant programs, awards scholarships, originates and finances education loans, provides education and career outreach services, and manages the Vermont Higher Education Investment Plan (VHEIP). The Corporation administers the State of Vermont's (State) grant programs on behalf of, and at no cost to the State and also administers approximately 150 scholarship programs; including both VSAC-assisted scholarships and other scholarship funds held and managed by VSAC.

VSAC finances its education loan programs through a combination of unrestricted cash reserves and the issuance of limited obligation bonds. Historically, a portion of these loans were guaranteed and reinsured by the U.S. Department of Education under the Federal Family Education Loan (FFEL) Program. VSAC's education loans are available to Vermont residents attending both in-state and out-of-state institutions, as well as to students attending eligible Vermont colleges and universities.

VSAC's outreach services are funded through a combination of federal grants, including GEAR UP and TRIO programs, state grants, and general corporate resources.

The Financial Statements

VSAC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). VSAC's proprietary fund financial statements are presented using accounting methods similar to those employed by private-sector financial institutions.

The statement of revenues, expenses, and changes in net position presents the results of VSAC's operations for the fiscal year by reporting all revenues and expenses and reconciling beginning and ending net position.

The statement of net position presents the Corporation's assets, liabilities, deferred inflows of resources, and net position at year-end.

The statement of cash flows provides information about the Corporation's cash receipts and cash payments during the year and explains changes in cash and cash equivalents.

The accompanying notes to the financial statements are an integral part of the financial statements and provide additional information necessary to understand VSAC's financial position, results of operations, and cash flows.

VERMONT STUDENT ASSISTANCE CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2026 and 2025

Fiscal Highlights and Overall Financial Position

- In November 2025, VSAC sold its remaining FFEL loan portfolio to an unaffiliated third party. Sale proceeds of \$97.4 million were used to redeem \$59 million of related bonds and accrued interest. The remaining unrestricted cash will support future private loan originations. As a result, VSAC did not issue additional debt during fiscal year 2026 to fund new loan originations in fiscal year 2027.
- The sale of the FFEL portfolio and retirement of the related bonds resulted in approximately \$44.0 million of net position previously restricted under bond resolutions becoming unrestricted.
- VSAC's net position increased by \$6.4 million and \$5.1 million during fiscal years 2026 and 2025, respectively. Total net position increased from \$232.1 million at June 30, 2024, to \$237.2 million at June 30, 2025, and further increased to \$243.5 million at June 30, 2026.
- VSAC originated \$53.2 million in new student loans during fiscal year 2026, compared to \$47.2 million in fiscal year 2025 and \$42.1 million in fiscal year 2024. Student loans receivable and related interest totaled \$284.2 million at June 30, 2026, compared to \$376.2 million at June 30, 2025, and \$389.1 million at June 30, 2024. The significant decline in fiscal year 2026 was primarily attributable to the sale of the FFEL loan portfolio.
- Interest expense on bonds and notes payable decreased by \$1.6 million, from \$10.2 million in fiscal year 2024 to \$8.6 million in fiscal year 2025, and declined by an additional \$1.5 million to \$7.1 million in fiscal year 2026. The decrease in 2026 was primarily due to the redemption of \$59 million of bonds following the sale of the FFEL loan portfolio.
- VSAC provided \$40.2 million in grants and scholarships to Vermont students during fiscal year 2026, consistent with the \$41.8 million awarded in fiscal year 2025. In fiscal year 2025, grant and scholarship assistance increased 16% from \$35.9 million in fiscal year 2024, primarily due to additional funding for the Teacher Forgivable Loan Program, the Nursing Workforce Incentive Loan Program, and higher per-student general grant awards.
- Prior to the sale of the FFEL loans in November 2025, VSAC had outsourced servicing of its remaining FFEL program loans to a third-party servicer and discontinued its loan guarantor activities under the FFEL program effective March 15, 2024. On February 24, 2025, VSAC completed the wind-down of its guarantor operations by remitting the remaining \$10.4 million of federal reserve funds to the U.S. Department of Education. Responsibility for administering the federal guaranty of these loans was transferred to an entity designated by the U.S. Department of Education.

VERMONT STUDENT ASSISTANCE CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) (UNAUDITED)

Years Ended June 30, 2026 and 2025

Condensed Financial Information

Statements of Net Position

(Dollars in thousands)

				Total Percent Change	
As of June 30,	2026	2025	2024	2026-2025	2025-2024
Assets:					
Cash and investments	\$ 140,104	\$ 116,352	\$ 115,724	20.4%	0.5%
Education loans receivable (plus interest)	284,159	376,226	389,112	-24.5%	-3.3%
Other assets	12,865	13,305	13,725	-3.3%	-3.1%
Total Assets	\$ 437,128	\$ 505,883	\$ 518,561	-13.6%	-2.4%
Liabilities:					
Bonds and notes payable (plus interest)	\$ 169,287	\$ 245,086	\$ 259,914	-30.9%	-5.7%
U.S. Treasury rebates payable	3,008	3,432	3,797	-12.4%	-9.6%
Other liabilities	20,102	18,278	19,511	10.0%	-6.3%
Total liabilities	192,397	266,796	283,222	-27.9%	-5.8%
Deferred inflows of resources:					
Deferred inflows from leasing activities	1,197	452	508	164.8%	-11.0%
Deferred gains on early refunding of bonds payable	-	1,468	2,731	-100.0%	-46.2%
Total deferred inflows of resources	1,197	1,920	3,239	-37.7%	-40.7%
Net Position:					
Net investment in capital assets	9,588	10,101	10,152	-5.1%	-0.5%
Restricted	43,737	86,550	89,006	-49.5%	-2.8%
Unrestricted	190,209	140,516	132,942	35.4%	5.7%
Total net position	243,534	237,167	232,100	2.7%	2.2%
Total liabilities, deferred inflow of resources, and net position	\$ 437,128	\$505,883	\$518,561	-13.6%	-2.4%

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

Cash and investments

Cash and investment balances increased by 20%, or \$23.8 million, from \$116.3 million at June 30, 2025, to \$140.1 million at June 30, 2026. The increase was primarily driven by the sale of the FFEL portfolio, which generated approximately \$66 million in unrestricted cash for VSAC. This increase was partially offset by the absence of bond issuance proceeds held at year-end. At June 30, 2025, cash and investments included approximately \$32.1 million of bond issuance proceeds from a June 2025 financing, whereas no comparable bond issuance proceeds were held at June 30, 2026.

Education loans receivable

Student loans and accrued interest receivable totaled \$284.2 million at June 30, 2026, a decrease of \$92 million, or 24.5%, from \$376.2 million at June 30, 2025. The decrease was primarily attributable to the sale of the FFEL portfolio in November 2025, which reduced student loans and accrued interest receivable by approximately \$97.4 million.

Student loans and accrued interest receivable totaled \$376.2 million at June 30, 2025, a decrease of \$12.9 million, or 3.3%, from \$389.1 million at June 30, 2024. The decrease was primarily attributable to loan principal repayments exceeding new loan originations within the VSAC private loan program.

Bond and notes payable

Bonds and notes payable, including accrued interest, decreased by \$14.8 million, or 5.7%, from \$259.9 million at June 30, 2024, to \$245.1 million at June 30, 2025. During fiscal year 2026, bonds and notes payable decreased by an additional \$75.8 million, or 31%, to \$169.3 million at June 30, 2026.

VSAC's financing activities during fiscal years 2026, 2025, and 2024 were comprised primarily of the following (in thousands):

	2026	2025	2024
Beginning balance	\$ 245,086	\$ 259,914	\$ 333,037
Principal payments, variable rate bonds	(40,456)	(26,702)	(65,259)
Principal payments, fixed rate bonds	(34,000)	(18,830)	(26,405)
Issuance of student loan financing bond	-	32,000	19,545
Premium/discount amortization	(1,194)	(1,344)	(944)
Change in accrued interest	(149)	48	(60)
Ending balance	<u>\$ 169,287</u>	<u>\$ 245,086</u>	<u>\$ 259,914</u>

During fiscal year 2026, VSAC made a final principal payment of \$59 million to retire the remaining variable-rate bonds that financed its FFEL portfolio. This amount included \$22.5 million of subordinate bonds held by VSAC as investments, which are eliminated in the financial statements. Following the sale of the FFEL loan portfolio, VSAC did not issue any new bonds during fiscal year 2026 because proceeds from the sale provided sufficient liquidity to fund new student loan originations.

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U.S. Treasury rebates payable

U.S. Treasury rebates payable decreased by \$0.4 million, or 9.6%, from \$3.8 million at June 30, 2024, to \$3.4 million at June 30, 2025. Liability further decreased to \$3 million at June 30, 2026, a decline of \$0.4 million, or 12.4%, from the prior year.

As discussed in the expense section, the reductions in both fiscal years were primarily attributable to VSAC's voluntary forgiveness of student loan interest, which is permitted under IRS regulations as a mechanism to reduce this liability.

Deferred inflow from leasing activities

Deferred inflows from leasing activities increased by \$0.7 million, from \$0.5 million at June 30, 2025, to \$1.2 million at June 30, 2026. The increase was primarily attributable to the renewal of two existing facilities leases during fiscal year 2026, which resulted in the remeasurement of the related lease receivable and deferred inflow balances in accordance with lease accounting provisions.

Deferred gains on early refunding of bonds payable

Deferred gains on the early refunding of bonds payable was \$0 at June 30, 2026, compared to \$1.5 million and \$2.7 million at June 30, 2025 and 2024, respectively. The fiscal year 2026 decrease is attributed to the extinguishment of the remaining deferred gains associated with the FFEL financing transactions following the sale of the FFEL portfolio. The decrease from 2024 to 2025 was the result of the normal annual amortization of the deferred gains.

Net Position

VSAC's net position at June 30, 2026, 2025, and 2024 consisted of the following (in thousands):

	2026	2025	2024
Unrestricted:			
Cash and investments	\$ 92,875	\$ 38,378	\$ 43,153
Investment in student loans	98,711	83,655	69,501
Subordinate VSAC bonds	-	22,500	22,500
Other	(1,377)	(4,017)	(2,212)
Total unrestricted	190,209	140,516	132,942
Net investment in capital assets	9,588	10,101	10,152
Restricted	43,737	86,550	89,006
Total net position	<u>\$ 243,534</u>	<u>\$ 237,167</u>	<u>\$ 232,100</u>

Unrestricted net position increased from \$133.0 million at June 30, 2024, to \$140.5 million at June 30, 2025, primarily as a result of strong corporate student loan originations during fiscal year 2025. Unrestricted net position increased further to \$190.2 million at June 30, 2026. This increase was driven by continued strong corporate loan originations and the sale of the FFEL portfolio. The FFEL portfolio sale increased unrestricted net position by approximately \$44.0 million as assets previously restricted under bond resolutions became available for general corporate purposes following the retirement of the related debt.

Restricted net position decreased from \$89.0 million at June 30, 2024, to \$86.6 million at June 30, 2025, primarily due to allowable distributions of cash from bond trust funds. Of the \$86.6 million in restricted net position at June 30, 2025, \$69.4 million was restricted under bond resolutions, while the remaining \$17.2 million was restricted for scholarships, grants, and programs that encourage students to pursue higher education.

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Restricted net position decreased to \$43.7 million at June 30, 2026, primarily as a result of the sale of the FFEL portfolio and the redemption of the related bonds. As the bonds were retired, assets that had been required to remain in trust under the bond resolutions were released from those restrictions and reclassified to unrestricted net position.

Statements of Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

For the years ended June 30,	2026	2025	2024	Total Percent Change 2026-2025	2025-2024
Operating revenues:					
Revenue from education loan financing	\$ 23,942	\$ 27,045	\$ 30,701	-11.5%	-11.9%
Other loan and guarantee program revenues	-	-	1,437	0.0%	-100.0%
Federal and state grants	5,580	5,597	5,464	-0.3%	2.4%
529 Plan revenue	1,584	977	838	62.1%	16.6%
Facility lease revenue	453	559	727	-19.0%	-23.1%
Other revenue	316	395	247	-20.0%	59.9%
Total operating revenues	31,875	34,573	39,414	-7.8%	-12.3%
Operating expenses:					
Corporate operating expenses and depreciation	23,608	22,593	22,915	4.5%	-1.4%
Interest rebated to borrowers	906	905	195	0.1%	364.1%
Provision for losses on student loans	(1,862)	556	(162)	-434.9%	443.2%
Consolidation and guarantor fees	257	856	1,333	-70.0%	-35.8%
Total operating expenses	22,909	24,910	24,281	-8.0%	2.6%
Operating income	8,966	9,663	15,133	-7.2%	-36.1%
Noncapital subsidies (expense):					
Federal scholarship revenue	2,309	2,945	2,295	-21.6%	28.3%
State grant and scholarship revenue	30,907	32,987	32,415	-6.3%	1.8%
Private scholarship and gift revenue	3,958	4,008	3,525	-1.2%	13.7%
Grant and scholarship expense	(40,205)	(41,755)	(35,900)	-3.7%	16.3%
Total noncapital subsidies	(3,031)	(1,815)	2,335	67.0%	-177.7%
Other nonoperating revenues (expense):					
Investment interest	7,169	6,422	7,243	11.6%	-11.3%
Contributions to permanent scholarship endowment	480	196	490	144.9%	-60.0%
Interest expense, net of amortization	(7,119)	(8,649)	(10,244)	-17.7%	-15.6%
Other loan financing costs	(98)	(750)	(1,015)	-86.9%	-26.1%
Total nonoperating revenue	432	(2,781)	(3,526)	-115.5%	-21.1%
Increase in net position	6,367	5,067	13,942	25.7%	-63.7%
Net position, beginning of year	237,167	232,100	218,158	2.2%	6.4%
Net position, end of year	\$ 243,534	\$ 237,167	\$ 232,100	2.7%	2.2%

VERMONT STUDENT ASSISTANCE CORPORATION

(A Component Unit of the State of Vermont)

Statement of revenues, expenses and changes in net position

GASB Statement No. 103, *Financial Reporting Model Improvements*, became effective for VSAC in fiscal year 2026 and resulted in significant changes to the presentation and classification of revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position. These changes result in a higher reported operating income compared with prior-year presentation. However, the increase in operating income is offset by the net impact of noncapital subsidies and other nonoperating revenues and expenses. Prior-year amounts have been reclassified to conform to the fiscal year 2026 presentation.

Operating revenues

VSAC's operating revenues include revenue from education loan financing, federal interest benefits and special allowance payments, fees earned in the federal guarantee program, federal and state grants, 529 administration revenue, and lease revenue.

Operating revenue and operating income have declined since fiscal year 2024 as VSAC's FFEL student loan portfolio continued to decline due to scheduled payments, ultimately resulting in the planned strategic sale of the portfolio in November 2025. Operating revenue was \$39.4 million, \$34.6 million, and \$31.9 million in fiscal years 2024, 2025, and 2026, respectively. Operating income was \$15.1 million, \$9.7 million, and \$9.0 million, respectively, over the same period.

At the same time, VSAC's corporate and debt financed student loan originations have continued to increase. Total loan originations were \$42.1 million, \$47.2 million, and \$53.2 million in fiscal years 2024, 2025, and 2026, respectively. However, the growth in new originations has not yet fully offset the continued paydown of VSAC's student loan portfolio and the sale of the FFEL portfolio. The decline in the student loan portfolio was the primary factor contributing to the decrease in education loan revenue over the three-year period.

Revenue from education loan financing

The components of student loan revenue are as follows (in thousands):

	2026	2025	2024
Borrower interest and fees on student loans	\$ 21,360	\$ 24,371	\$ 26,437
U.S. Department of Education's special allowance	773	2,718	4,231
U.S. Department of Education's interest benefits	22	76	110
Borrower interest paid to Department of Education	(64)	(120)	(77)
Gain on sale of FFEL loans	1,851	-	-
Total	\$ 23,942	\$ 27,045	\$ 30,701
Student loan balance at June 30	279,683	365,196	378,097
Average student loan balance	322,440	371,647	407,351
Average interest rate	6.6%	6.6%	6.5%

Overall student loan revenue is closely related to the volume of loans outstanding and prevailing interest rates. Student loan revenue decreased by \$3.1 million from fiscal year 2025 to fiscal year 2026 and by \$3.7 million from fiscal year 2024 to fiscal year 2025. While VSAC's weighted average interest rate remained relatively stable during this period, the average student loan balance declined over the three-year period.

From fiscal year 2024 to fiscal year 2025, the average student loan balance decreased by approximately \$35.7 million, primarily reflecting the long-term runoff of the FFEL portfolio following enactment of the Federal Student Aid and Fiscal Responsibility Act of 2010, which ended new FFEL loan originations. From fiscal year 2025 to fiscal year 2026, the average student loan balance declined by an additional \$49.2 million, primarily due to the November 2025 sale of \$97.4 million of the remaining FFEL portfolio.

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For FFEL loans, interest was paid by the U.S. Department of Education as an interest benefit on behalf of qualifying borrowers. Revenue from these subsidies has continued to decline as the population of eligible loans decreased. The U.S. Department of Education also provided special allowance payments under certain interest rate conditions. Revenue from special allowance payments declined during fiscal year 2026 as a result of lower eligible loan balances and declining interest rates.

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 also have fixed interest rates.

Other loan and guarantee program revenues

In March 2024, VSAC outsourced the servicing of its remaining FFEL program loans to a third-party servicer and discontinued its loan guarantor activities under the FFEL program. Accordingly, fiscal year 2024 included the final \$1.4 million of revenue earned from guarantor operations, with no related guarantor revenue recognized in fiscal years 2025 or 2026.

Federal and state grants

The primary components of federal and state grants for the years ended June 30 were as follows (in thousands):

Operating Revenue:

Federal and state grants:

Federal grants:	2026	2025	2024
GEAR UP	\$ 4,091	\$ 3,537	\$ 3,481
Talent Search	565	511	558
EOC	133	490	550
Hireability	258	233	183
Advance Vermont	147	96	-
ECMS (FASFA)	-	195	-
Other	11	76	59
Total federal grants	5,204	5,137	4,831
State grants:			
Aspirations	376	331	392
Advance Vermont	-	129	240
Total state grants	376	460	633
Total federal and state grants	\$ 5,580	\$ 5,597	\$ 5,464

Educational Opportunity Centers (EOC) grant revenue decreased from \$0.5 million in fiscal year 2025 to \$0.1 million in fiscal year 2026 following the cancellation of the final year of the grant by the U.S. Department of Education effective in September 2025. The grant was originally scheduled to continue through September 30, 2026. The ECMS grant revenue represents one-time federal funding received in fiscal year 2025 to support financial aid application completion initiatives.

During fiscal year 2026, VSAC successfully completed a new seven-year GEAR UP grant. In the beginning of fiscal year 2027, VSAC successfully completed new five-year grants for Talent Search and EOC. These grants allow VSAC to continue to provide statewide college and career readiness and educational outreach services.

The GEAR UP revenue reported above represents the employee services component of the grant. As a result of the implementation of GASB 103, GEAR UP scholarship revenue is reported within the noncapital subsidies section of the Statement of Revenues, Expenses, and Changes in Net Position.

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529 plan revenue

VSAC earns administrative and marketing fees for managing and marketing VHEIP, Vermont's qualified Section 529 higher education savings plan. Fee revenue increased from \$0.8 million in fiscal year 2024 to \$1.0 million in fiscal year 2025, and further increased to \$1.6 million in fiscal year 2026.

The increase in fiscal year 2026 resulted from both higher assets under management in the plan and the transition to a new program manager in October 2025. The new agreement reduced costs for plan participants and increased VSAC's fee revenue.

Facilities lease revenue

In fiscal year 2019, VSAC began leasing excess office space in its facility. Lease revenue totaled \$0.7 million in fiscal year 2024, \$0.6 million in fiscal year 2025, and \$0.5 million in fiscal year 2026. The decline in lease revenue over this period reflects a continued weakness in the commercial office rental market following the COVID-19 pandemic. Certain tenants have chosen not to renew their leases, and two tenants have reduced their leased office space, resulting in lower rental income.

Operating expenses

Corporate operating expenses and depreciation

Corporate operating expenses and depreciation include the costs of administering VSAC's programs, as well as facilities, information technology, and other administrative support functions. These costs totaled \$23.6 million in fiscal year 2026, compared with \$22.6 million in fiscal year 2025 and \$22.9 million in fiscal year 2024.

The primary components of corporate operating expenses and depreciation for the years ended June 30 were as follows (in thousands):

	2026	2025	2024
Corporate operating expenses and depreciation			
Salaries and wages	\$ 10,689	\$ 10,362	\$ 10,459
Employee healthcare costs	3,039	3,010	3,165
Other employee benefit costs	1,968	1,937	2,015
Administrative expenses	6,964	6,521	5,842
Depreciation	948	763	775
Separation-related expenses	-	-	659
Total corporate operating expenses and depreciation	\$ 23,608	\$ 22,593	\$ 22,915

The workforce reduction followed VSAC's decision to discontinue its FFEL guarantor operations and outsource servicing of its remaining FFEL loan portfolio. The affected employees received separation benefits totaling approximately \$0.7 million in fiscal 2024.

Interest rebated to borrowers

While not recorded as a direct student aid expense, interest rebates provided to borrowers help current and former students and parents manage the cost of their education debt, reflecting VSAC's continued commitment to reducing borrowers' financing costs. VSAC provided \$0.9 million in borrower interest rebates in both fiscal years 2025 and 2026, compared with \$0.2 million in fiscal year 2024.

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

Provision for losses on student loans

The components of provision for losses on student loans for fiscal years 2026, 2025, and 2024 were as follows (in thousands):

	2026	2025	2024
Provision for losses on student loans			
Write-offs of defaulted loans	\$ 3,132	\$ 3,311	\$ 3,060
Recoveries of loans previously written off	(2,284)	(2,082)	(1,845)
Year-end adjustment of loan loss reserve	(2,710)	(672)	(1,377)
Total provision for losses on student loans	<u>\$ (1,862)</u>	<u>\$ 557</u>	<u>\$ (162)</u>

The provision for student loan losses represents student loan write-offs from borrower defaults, changes in the allowance for student loan losses, and recoveries of previously charged-off loans. The provision for student loan losses was a \$(0.2) million in fiscal year 2024, \$0.6 million in fiscal year 2025, and \$(1.9) million in fiscal year 2026.

The increase in the provision from a \$(0.2) million in fiscal year 2024 to a \$0.6 million fiscal year 2025 was primarily attributable to higher student loan originations during fiscal year 2025. In fiscal year 2026, VSAC reassessed the cumulative default rate assumption used in calculating the allowance for student loan losses to more closely align the assumption with more current aggregated historical default experience. The refinement of this estimate resulted in an additional \$2.9 million reduction in the provision for student loan losses in fiscal year 2026.

Consolidation and guarantor fees

Fiscal year 2024 includes \$0.1 million of guarantor expenses, representing the final year in which VSAC incurred expenses related to its guarantor activities. Consolidation fees declined from \$1.2 million in fiscal year 2024 to \$0.9 million in fiscal year 2025 and \$0.3 million in fiscal year 2026. The decline was primarily attributable to the continued reduction in outstanding FFEL student loan balances and the sale of VSAC's remaining FFEL student loan portfolio in November 2025.

Noncapital subsidies (expense)

VSAC's noncapital subsidies include revenues from federal scholarship revenue, state grants and scholarship revenue, and private donations, as well as grant and scholarship expenses associated with these programs.

Federal scholarship revenue

The components of federal scholarship revenue are as follows (in thousands):

	2026	2025	2024
Federal scholarship revenue:			
GEAR UP	603	555	578
Nursing Workforce Incentive Loan program - Federal	1,444	1,931	1,507
UVM Medical program - Federal funding	67	157	112
Dental programs - Federal funding	88	123	32
Chafee	106	180	65
Total federal grants	<u>\$ 2,309</u>	<u>\$ 2,945</u>	<u>\$ 2,295</u>

Federal scholarship revenue increased from \$2.3 million in fiscal year 2024 to \$2.8 million in fiscal year 2025, primarily due to an additional \$0.4 million in federally funded Nursing Workforce Incentive Loan program awards during fiscal year 2025. Federal scholarship revenue decreased in fiscal year 2026 due to lower funding for the Nursing Workforce Incentive Loan program.

VERMONT STUDENT ASSISTANCE CORPORATION
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State grant and scholarship revenue

The components of state grant and scholarship revenue are as follows (in thousands):

State grant and scholarship revenue:	2026	2025	2024
General grants	\$ 24,511	\$ 23,469	\$ 24,876
Freedom & Unity grants	609	-	-
Vermont Trade School scholarships	2,238	2,557	2,574
Vermont National Guard Tuition Benefits program	1,286	860	1,065
Nursing Workforce Incentive Loan Program - state funding	1,053	2,592	1,160
Vermont Teacher Forgivable Loan program	17	1,913	625
Vermont Mental Health scholarship	-	630	955
UVM Medical program - state funding	53	123	88
Dental programs - state funding	64	90	26
Vermont Endowment scholarships	453	280	307
Vermont Psychiatric Nurse Practitioner Forgivable Loan Prg	330	203	22
Other	293	270	718
Total state grant and scholarship revenue	<u>\$ 30,907</u>	<u>\$ 32,987</u>	<u>\$ 32,415</u>

Overall, total state grant and scholarship revenue increased from \$32.4 million in fiscal year 2024 to \$33.0 million in fiscal year 2025, before decreasing to \$30.9 million in fiscal year 2026.

These fluctuations were primarily attributable to changes in funding levels and award activity under the Vermont National Guard Tuition, Nursing Workforce Incentive Loan, and Vermont Teacher Forgivable Loan programs. In addition, in fiscal year 2026, VSAC awarded \$0.6 million in Freedom & Unity Grants, a new program established and funded through state appropriations.

Private scholarship and gift revenue

The components of scholarship and gift income are as follows (in thousands):

Private scholarship and gift revenue:	2026	2025	2024
Curtis fund scholarships	\$ 2,208	\$ 2,153	\$ 1,964
Gilman fund scholarships	1,408	1,556	1,275
Other	342	299	286
Total private scholarship and gift revenue	<u>\$ 3,958</u>	<u>\$ 4,008</u>	<u>\$ 3,525</u>

Private scholarship and gift revenue, representing the use of restricted gifts and grants, increased by \$0.5 million from fiscal year 2024 to fiscal year 2025, primarily due to increased donations to the Curtis and Gilman Funds. Private donation revenue remained steady from fiscal year 2025 to fiscal year 2026.

Grants and scholarships expense

VSAC provided \$41.8 million in financial aid to Vermont students in fiscal year 2025, compared with \$35.9 million in fiscal year 2024, representing a 16% increase. The increase was primarily driven by higher per-student award amounts to help offset rising education costs and inflation. Financial aid provided in fiscal year 2026 totaled \$40.2 million, a decrease of \$1.6 million, or approximately 4%, from fiscal year 2025. The decrease was primarily attributable to the lower available funding for certain programs in fiscal year 2026.

VERMONT STUDENT ASSISTANCE CORPORATION
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Other nonoperating revenues (expense)

Investment interest revenue

Investment interest revenue includes realized and unrealized gains and losses on the endowment, interest income earned on endowment investments and interest earned on cash balances.

Investment interest revenue decreased from \$7.2 million in fiscal year 2024 to \$6.4 million in fiscal year 2025, primarily due to declining interest rates and fluctuations in average cash balances. Investment interest revenue increased to \$7.2 million in fiscal year 2026, primarily due to strong investment performance of endowment investments and interest income earned on higher average cash balances. The increase in average cash balances was largely attributable to proceeds from the sale of VSAC's FFEL student loan portfolio during fiscal year 2026.

Interest expense, net of amortization

In order to provide Vermont students and parents with low-cost education loans, VSAC has issued both fixed-rate and variable-rate bonds to finance student loans. In November 2025 VSAC sold its FFEL student loan portfolio and subsequently retired its remaining variable rate bonds. Interest on bonds represents one of VSAC's largest nonoperating expenses.

The variable-rate bonds were originally issued to refinance VSAC's auction-rate securities and were supported by variable-rate student loans. Both the related student loans and the bonds accrue interest at SOFR plus a fixed margin established when the loans were originated and the bonds were issued. Fixed-rate bonds, first issued in 2010, finance newly originated fixed-rate student loans. These financing structures closely align student loan interest revenue with the related bond interest expense, helping to reduce interest rate risk.

Interest expense consists of cash interest paid or accrued, reduced by the amortization of bond premiums, and deferred gains on bond refundings. Cash interest paid has declined over the three-year period as outstanding bond and note balances have decreased through scheduled principal repayments and the retirement of debt. Total interest expense decreased from \$10.2 million in fiscal year 2024 to \$8.6 million in fiscal year 2025 and \$7.1 million in fiscal year 2026.

The decline in interest expense in fiscal year 2025 primarily reflects lower outstanding bond and note balances resulting from principal payments made during the year. The further decrease in fiscal year 2026 reflects additional reductions in outstanding debt through principal repayments, as well as the write-off of the remaining \$1.3 million deferred gain from an earlier bond refunding following the sale of the FFEL loan portfolio. The write-off of the deferred gain reduced reported interest expense in fiscal year 2026.

The components of VSAC's interest expense for 2026, 2025, and 2024 were as follows (in thousands):

	2026	2025	2024
Interest expense, net			
Interest expense	\$ 9,781	\$ 11,398	\$ 14,875
Amortization of bond premium	(1,194)	(1,486)	(1,517)
Deferred gains on early refunding of bonds payable	(1,468)	(1,263)	(3,114)
Total interest expense, net	<u>\$ 7,119</u>	<u>\$ 8,649</u>	<u>\$ 10,244</u>

Other loan financing costs

Other loan financing costs include expenses incurred to issue and administer VSAC's outstanding bonds and notes. These costs totaled \$0.1 million, \$0.8 million, and \$1 million in fiscal years 2026, 2025, and 2024, respectively.

VERMONT STUDENT ASSISTANCE CORPORATION
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The components of other loan financing costs for fiscal years 2026, 2025, and 2024 were as follows (in thousands):

Other loan financing costs	2026	2025	2024
U.S. Treasury rebate	\$ (361)	\$ (306)	\$ 97
Bond issuance costs	-	673	568
Other bond costs	459	383	350
Total other loan financing costs	<u>\$ 98</u>	<u>\$ 750</u>	<u>\$ 1,015</u>

Total other loan financing costs decreased from \$1.0 million in fiscal year 2024 to \$0.8 million in fiscal year 2025 and \$0.1 million in fiscal year 2026. The significant decrease in fiscal year 2026 was primarily attributable to the absence of bond issuance costs, as proceeds from the sale of the FFEL loan portfolio provided sufficient liquidity to fund new student loan originations without the need to issue additional debt.

Interest subject to U.S. Treasury rebate requirements is also included in other loan financing costs. This amount represents earnings on tax-exempt bond-financed loans and related investments that could become payable to the U.S. Treasury under federal arbitrage rebate requirements if the related loan portfolios were liquidated and all related bonds were repaid as of June 30. VSAC actively manages this potential liability by providing interest rebates to eligible borrowers, with the objective of reducing or eliminating any arbitrage rebate obligation to the U.S. Treasury by the final maturity of the related bonds.

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

STATEMENTS OF NET POSITION (IN \$1,000'S)

June 30, 2026 and 2025

ASSETS

	<u>2026</u>	<u>2025</u>
	(In Thousands)	
Current assets:		
Cash and cash equivalents	\$ 92,875	\$ 38,378
Receivables		
Student loans, net	40,120	50,228
Student loan interest and special allowance	4,476	11,030
Investment interest	88	182
Facility lease receivable	393	244
Other	1,216	1,547
Other assets	<u>574</u>	<u>512</u>
Total current assets	139,742	102,121
Noncurrent assets:		
Restricted cash	32,651	65,323
Scholarship endowment investments	14,578	12,651
Facility lease receivable	850	233
Student loans receivable, net	239,563	314,968
Capital assets, net	<u>9,744</u>	<u>10,587</u>
Total noncurrent assets	<u>297,386</u>	<u>403,762</u>
Total assets	\$ <u>437,128</u>	\$ <u>505,883</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 NET POSITION (IN \$1,000'S) (CONCLUDED)

June 30, 2026 and 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2026</u>	<u>2025</u>
	(In Thousands)	
Current liabilities:		
Bonds and notes payable	\$ 15,090	\$ 15,970
Accounts payable and other liabilities	4,778	4,063
Accrued interest on bonds payable	334	483
Subscription-based information technology arrangements (SBITA)	123	397
Unearned revenue	<u>13,465</u>	<u>12,196</u>
Total current liabilities	33,790	33,109
Noncurrent liabilities:		
Bonds and notes payable	153,863	228,633
Accrued liabilities	1,703	1,533
Subscription-based information technology arrangements (SBITA)	33	89
U.S. Treasury rebates payable	<u>3,008</u>	<u>3,432</u>
Total noncurrent liabilities	<u>158,607</u>	<u>233,687</u>
Total liabilities	192,397	266,796
Deferred inflows of resources:		
Facility leasing activities	1,197	452
Deferred gains on early refunding of bonds payable	<u>-</u>	<u>1,468</u>
Total deferred inflows of resources	1,197	1,920
Total liabilities and deferred inflows of resources	193,594	268,716
Net position:		
Net investment in capital assets	9,588	10,101
Restricted	43,737	86,550
Unrestricted	<u>190,209</u>	<u>140,516</u>
Total net position	<u>243,534</u>	<u>237,167</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 437,128</u>	<u>\$ 505,883</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 (IN \$1,000'S)

Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
	(In Thousands)	
Operating revenues:		
Interest and fees on student loans		
U.S. Department of Education interest benefits	\$ 22	\$ 76
U.S. Department of Education special allowance	773	2,718
Borrower interest and fees on student loans	21,360	24,371
Borrower interest returned to U.S. Department of Education	(64)	(120)
Gain on sale of FFEL loans	1,851	-
Federal grants	5,204	5,137
State grants	376	460
529 Plan revenue	1,584	977
Facility lease revenue	453	559
Other income	<u>316</u>	<u>395</u>
Total operating revenues	<u>31,875</u>	<u>34,573</u>
Operating expenses:		
Salaries and benefits	15,696	15,309
Other general and administrative	6,964	6,521
Provision from losses on student loans	(1,862)	556
Interest rebated to borrowers	906	905
Consolidation and lender fees paid	257	856
Depreciation	<u>948</u>	<u>763</u>
Total operating expense	<u>22,909</u>	<u>24,910</u>
Operating Income	<u>8,966</u>	<u>9,663</u>
Noncapital subsidies (expense):		
Federal scholarship revenue	2,309	2,945
State grant and scholarship revenue	30,907	32,987
Private scholarship and gift revenue	3,958	4,008
Grant and scholarship expense	<u>(40,205)</u>	<u>(41,755)</u>
Total noncapital subsidies	<u>(3,031)</u>	<u>(1,815)</u>
Nonoperating revenues (expense):		
Interest income on cash and other investments	5,245	4,989
Investment income on endowment	1,924	1,433
Contributions for permanent scholarship endowment	480	196
Interest expense, net of amortization of bond premium and deferred gains on early refunding of bonds payable	(7,119)	(8,649)
Interest subject to U.S. Treasury rebate	361	306
Other loan related expenses	(459)	(383)
Bond issuance costs	<u>-</u>	<u>(673)</u>
Total nonoperating revenues	<u>432</u>	<u>(2,781)</u>
Increase in net position	6,367	5,067
Net position, beginning of year	<u>237,167</u>	<u>232,100</u>
Net position, end of year	<u>243,534</u>	<u>237,167</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 (IN \$1,000'S)

Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
	(In Thousands)	
Cash flows from operating activities:		
Principal payments received on student loans	\$ 53,949	\$ 62,094
Interest and fees received on student loans	17,469	19,662
Proceeds from sale of FFEL loans	97,410	-
Loans made	(53,164)	(47,208)
Cash received from customers, donors and governments	10,160	12,594
Cash paid to employees for salaries and benefits	(15,642)	(15,826)
Cash paid to suppliers for goods and services	<u>(7,096)</u>	<u>(6,720)</u>
Net cash provided by operating activities	103,086	25,406
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds payable	-	32,141
Payments on bonds payable	(74,456)	(45,532)
Interest paid to bond holders	(9,930)	(11,349)
Bond issuance payments	-	(673)
Other loan related payments	(522)	(442)
Federal scholarship receipts	2,498	3,702
State grant and scholarship receipts	32,535	29,706
Private gift receipts	3,968	3,888
Grant and scholarship disbursements	<u>(40,205)</u>	<u>(41,756)</u>
Net cash used by noncapital financing activities	(86,112)	(30,315)
Cash flows from capital and related financing activities:		
Principal and interest paid for SBITA	(423)	(350)
Acquisition and construction of capital assets	<u>(439)</u>	<u>(709)</u>
Net cash used by capital and related financing activities	(862)	(1,059)
Cash flows from investing activities:		
Interest received on cash and investments	5,236	4,967
Interest received on endowment investments	303	326
Contributions to scholarship endowments	480	196
Purchase of investments	(1,859)	(1,749)
Proceeds from sale of investments	<u>1,553</u>	<u>1,657</u>
Net cash provided by investing activities	<u>5,713</u>	<u>5,397</u>
Net increase (decrease) in cash and cash equivalents	21,825	(571)
Cash and cash equivalents, beginning of year	<u>103,701</u>	<u>104,272</u>
Cash and cash equivalents, end of year	<u>\$ 125,526</u>	<u>\$ 103,701</u>
Supplemental disclosure of non-cash operating activities: Student loan interest capitalized	<u>\$ 3,367</u>	<u>\$ 3,898</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, 2026 and 2025

	<u>2026</u>	<u>2025</u>
	(In Thousands)	
Reconciliation of change in net position from operations to net cash provided by operating activities:		
Operating income	\$ <u>8,966</u>	\$ <u>9,663</u>
Adjustments to reconcile change in net position from operations to net cash provided by operating activities:		
Depreciation	948	763
Amortization of SBITA	433	348
Change in provision for losses on student loans	(1,862)	556
Gain on sale of FFEL loans	(1,851)	-
Amortization of deferred facility lease	(452)	(559)
Lease receivable payments, net of fit up costs	534	671
Changes in operating assets and liabilities:		
Student loans receivable	89,226	12,345
Student loan interest receivable	6,554	(15)
Other receivables	(256)	668
Other assets	(62)	(125)
Accounts payable and other liabilities	973	793
Unearned revenue	<u>(66)</u>	<u>298</u>
Total adjustments	<u>94,120</u>	<u>15,743</u>
Net cash provided by operating activities	\$ <u>103,086</u>	\$ <u>25,406</u>

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

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

FIDUCIARY FUND FINANCIAL STATEMENTS (IN \$1,000'S)

VERMONT HIGHER EDUCATION INVESTMENT PLAN (NOTE 5)

June 30, 2026 and 2025

STATEMENTS OF NET POSITION

	<u>2026</u>	<u>June 30,</u> <u>2025</u>
<u>Assets Held for Others</u>		
Cash	\$ -	\$ 905
Accounts receivable	649	-
Investments	<u>887,131</u>	<u>763,387</u>
Total assets	<u>\$ 887,780</u>	<u>\$ 764,292</u>
<u>Liabilities</u>		
Accounts payable & other liabilities	<u>649</u>	<u>209</u>
Total liabilities	649	209
<u>Net Position</u>		
Restricted for program benefits	<u>887,131</u>	<u>764,083</u>
Total net position	<u>887,131</u>	<u>764,083</u>
Total liabilities and net position	<u>\$ 887,780</u>	<u>\$ 764,292</u>

STATEMENTS OF ADDITIONS, DEDUCTIONS AND CHANGES IN NET POSITION

	<u>2026</u>	<u>Year ending June 30,</u> <u>2025</u>
<u>Additions</u>		
Participant Contributions	86,443	85,400
Interest and investment income	18,051	18,374
Net increase in fair value of investments	<u>95,350</u>	<u>58,756</u>
Total additions	199,844	162,530
<u>Deductions</u>		
Participant withdrawals	75,299	68,906
Administrative expenses	<u>1,497</u>	<u>2,399</u>
Total deductions	76,796	71,305
Change in Net Position	123,048	91,225
Net Position, beginning of year	<u>764,083</u>	<u>672,858</u>
Net Position, end of year	<u>\$ 887,131</u>	<u>\$ 764,083</u>

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

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

FIDUCIARY FUND FINANCIAL STATEMENTS (IN \$1,000'S)

U.S. DEPARTMENT OF EDUCATION – FEDERAL RESERVE FUND

June 30, 2026 and 2025

STATEMENT OF NET POSITION

	<u>2026</u>	<u>June 30,</u> <u>2025</u>
<u>Assets Held for Others</u>		
Cash	\$ -	\$ -
Other assets	-	-
Total assets	-	-
<u>Liabilities</u>		
Accounts payable & other liabilities	-	-
Total liabilities	-	-
<u>Net Position</u>		
Restricted for other purposes	-	-
Total net position	-	-
Total liabilities and net position	\$ -	\$ -

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2026</u>	<u>Year ending June 30,</u> <u>2025</u>
<u>Additions</u>		
Reimbursement from ED on default loan purchases	-	-
Default loan collections	-	-
Investment income	-	326
Other loan administrative revenues	-	-
Total additions	-	326
<u>Deductions</u>		
Purchases of defaulted loans from lenders	-	-
Return of funds to Department of Education	-	10,391
Other deductions	-	-
Total deductions	-	10,391
Change in Net Position	-	(10,065)
Net Position, beginning of year	-	10,065
Net Position, end of year	\$ -	\$ -

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, 2026 and 2025

(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 and training by awarding grants and originating, 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 and services education loans. The majority of education loans are financed through the issuance of limited obligation bonds. In March 2010, Congress passed the *Student Aid and Fiscal Responsibility Act* which had the effect of ending new Federal Family Education Loan (FFEL) loan originations after June 30, 2010. The bonds and notes outstanding are payable 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 postsecondary education or training. The Fund provides a financial benefit to VSAC, and its Board of Directors is the same as the VSAC Board of Directors; therefore, it is considered a blended component unit of VSAC and is included in the totals on the financial statements. See note 19 for condensed financial statements of this component unit. The Internal Revenue Service (IRS) Form 990 of the Fund is a publicly available document and includes the basic financial statements of this component unit. It can be obtained on our website (www.vsac.org).

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

(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 April of 2024, GASB Statement No. 103, *Financial Reporting Model Improvements*. According to GASB, this statement aims to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. GASB 103 requires proprietary fund statements to continue distinguishing between operating and nonoperating revenues and expenses while expanding and clarifying the definitions of operating and nonoperating activities.

GASB Statement No. 103 became effective for VSAC in fiscal year 2026 and resulted in significant changes to the presentation and classification of revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position. GASB 103 requires proprietary fund statements to continue distinguishing between operating and nonoperating revenues and expenses while expanding and clarifying the definitions of operating and nonoperating activities. Operating revenues and expenses are defined as revenues and expenses other than those specifically identified as nonoperating. Nonoperating revenues and expenses include (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

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(Dollars in Thousands)

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Concluded)

As a result of these changes, VSAC reclassified several significant revenue and expense categories in the fiscal year 2026 financial statements. Federal scholarship revenue; state grant and scholarship revenue; private scholarship and gift revenue; and grant and scholarship expenses have been reclassified from operating revenues and expenses to a separate nonoperating category for noncapital subsidies. In addition, interest and investment income, interest expense, and other loan financing costs have been reclassified from operating revenues and expenses to the other nonoperating revenues and expenses section of the statement.

Prior-year amounts have been reclassified to conform to the fiscal year 2026 presentation.

In September of 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, *Disclosure of Certain Capital Assets*. GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires governments to present certain information about capital assets by major class. Statement No. 104 expands these disclosure requirements by requiring governments to provide additional information about certain types of capital assets in the notes to the financial statements. The requirements of this Statement are effective for VSAC in fiscal year 2026. The implementation of this Statement did not have a material impact on the financial statements.

Restrictions on Net Position

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

Net Investment in Capital Assets

Net investment in capital assets includes capital assets, net of the accumulated depreciation/amortization and any outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets offset by the SBITA liability.

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 deferred inflows and disclosure of contingent assets and liabilities and deferred inflows 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.

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2. Summary of Significant Accounting Policies (Continued)

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 (prior to the sale of FFEL notes in November 2025) 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 (FFEL) and refinance loans, which are loans to eligible borrowers that refinance existing student loans.

Student loans are stated at their unpaid principal balance, net of allowance for estimated loan losses.

Allowance for Loan Losses

VSAC issues loans that are not guaranteed against default and holds and service these loans. VSAC held loans guaranteed under the FFEL Program until the sale of all its remaining FFEL loans in November 2025. Loans not guaranteed represent the greatest loss exposure for VSAC. The amount of the allowance, which is established through a provision for losses on student loans charged to expense, is based on management's estimate of the probable losses within the portfolio. Primary considerations in establishing the allowance are the loan portfolio balances and composition, amortization or age of the portfolio, delinquencies, current economic conditions, and historical loss experience. The loss exposure for nonguaranteed loans is 100% of estimated defaults unadjusted for estimated future recoveries. For guaranteed loans, the loss exposures were either 2% or 3% of estimated defaults based on the origination date of the loan.

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. VSAC's estimated useful lives by asset category are:

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

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2. Summary of Significant Accounting Policies (Continued)

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

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

Bond Issuance Costs

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

Bond Discount/Premium and Deferred Gain/Loss on Refunding

Bond discounts and premiums are amortized using a method which approximates the level yield method over the life of the bonds. Any deferred gains or losses related to refinanced bonds are included in deferred inflows of resources or deferred outflows of resources, respectively, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The deferred gains or losses are amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. During the years ended June 30, 2026 and 2025, interest expense has been reduced by \$1,468 and \$1,263, respectively, for the amortization of the deferred gains on early refunding of bonds payable. As a result of the FFEL portfolio sale, the remaining amortization of the deferred gains was charged against interest expense in fiscal year 2026.

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, 2026 and 2025, \$453 and \$559, 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 and recognized when all eligibility requirements are met. When both restricted and unrestricted resources are available to satisfy an expense when it is incurred, VSAC uses restricted resources first.

FFEL Program Support

Prior to the sale of FFEL loans in November 2025, VSAC received 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 were recorded as guarantee agency administrative revenues when earned, as the services were provided. Effective March 15, 2024

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2. Summary of Significant Accounting Policies (Concluded)

VSAC discontinued its functions as a FFEL guarantor and consequently will earn no further revenues from this program past that date.

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. During the year ended June 30, 2023 VSAC adopted GASB statement No. 101 which requires the recording of a liability for the estimated value of compensated absences which have accrued to the employees' benefit but which do not vest, such as medical leave. VSAC has calculated this value as the total accrued leave as of year-end reduced by estimated future forfeitures resulting from employee departures. The accruals for compensated absences are a component of the accounts payable and other liabilities line under current liabilities in the Statement of Net Position; the non-current portion is a component of accrued liabilities under non-current liabilities.

Income Tax Status

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

3. Cash, Cash Equivalents and Investments

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

Cash and Cash Equivalents

The carrying amounts which represent both cost and fair value of cash and cash equivalents as of June 30, 2026 and 2025 are presented below:

	<u>2026</u>	<u>2025</u>
Cash	\$ 109,415	\$ 54,911
Money market accounts	<u>16,111</u>	<u>48,790</u>
Total carrying value	<u>\$ 125,526</u>	<u>\$ 103,701</u>

At June 30, 2026 and 2025, cash is comprised of various commercial bank accounts. The bank balances, excluding money market accounts, at June 30, 2026 were \$109,807 and the bank balances at June 30, 2025 were \$55,220. The difference between the net bank balances and the amounts recorded on the financial statements is outstanding checks and deposits in transit.

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June 30, 2026 and 2025

(Dollars in Thousands)

3. Cash, Cash Equivalents and Investments (Continued)

In 2025, VSAC began utilizing insured cash sweep accounts for cash held at M&T Bank, which automatically transfer funds exceeding \$250 into separately insured accounts to ensure that no single account balance exceeds the Federal Deposit Insurance Corporation (FDIC) insured limit. No cash held on June 30, 2026 at M&T Bank exceeded the \$250 FDIC insured limit. In the event account balances at M&T Bank exceed \$250, they are secured by a collateralization agreement. As of June 30, 2026, \$250 of money market bank balances and \$109,807 of cash bank balances were covered by FDIC insurance, while the remaining bank balances were uncollateralized. As of June 30, 2025, \$500 of money market bank balances and \$55,220 of cash bank balances were covered by FDIC insurance, while the remaining bank balances were uncollateralized.

At June 30, 2026 and 2025, 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, 2026 and 2025, \$18,376 and \$50,339, respectively of restricted cash is limited to its use for the repayment of bond and note obligations.

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

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

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, 2026 and 2025. Investments in intermediate term U.S. Government bonds represent 40% of VSAC's scholarship investments at June 30, 2026 and 2025, respectively.

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

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3. Cash, Cash Equivalents and Investments (Continued)

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy permits a maximum of 20% of the fair value of the equity portfolio to be invested in foreign securities. VSAC invests only in a developed countries index fund (denominated in USD) in working within this policy. At June 30, 2026 and 2025 VSAC's investment in this fund represents 12% of scholarship investments.

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.

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.

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June 30, 2026 and 2025

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3. Cash, Cash Equivalents and Investments (Concluded)

VSAC held the following investments at June 30, 2026 and 2025:

	<u>2026</u>			<u>2025</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>
Domestic equities	\$ 3,043	\$ 7,006	1	\$ 2,940	\$ 6,094	1
International equities	1,039	1,760	1	1,102	1,525	1
Government bonds and notes	<u>6,279</u>	<u>5,812</u>	1	<u>5,447</u>	<u>5,032</u>	1
	<u>\$10,361</u>	<u>\$ 14,578</u>		<u>\$9,489</u>	<u>\$12,651</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, 2026, VSAC held student loans with interest rates ranging from 2.95% to 11.36%; at June 30, 2025, the interest rates ranged from 2.88% to 12.04%. At June 30, 2026 and 2025, approximately 100% and 74.9%, 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 six 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.

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

	<u>2026</u>	<u>2025</u>
Status:		
Interim status	\$ 31,388	\$ 28,550
Deferral status	802	9,388
Repayment status	262,886	345,361
Less: Allowance for loan losses	<u>(15,393)</u>	<u>(18,103)</u>
Total student loans receivable	279,683	365,196
Less: Noncurrent student loans receivable	<u>(239,563)</u>	<u>(314,968)</u>
Current student loans receivable	<u>\$ 40,120</u>	<u>\$ 50,228</u>

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June 30, 2026 and 2025

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4. Student Loans Receivable (Concluded)

Guarantee type:

U.S. Department of Education	\$ -	\$ 95,122
U.S. Department of Health and Human Services	-	4
Other – Guaranteed	2,097	966
Nonguaranteed	292,979	287,207
Less: Allowance for loan losses	<u>(15,393)</u>	<u>(18,103)</u>
 Total student loans receivable	 279,683	 365,196
Less: Noncurrent student loans receivable	<u>(239,563)</u>	<u>(314,968)</u>
 Current student loans receivable	 <u>\$ 40,120</u>	 <u>\$ 50,228</u>

As of June 30, 2026 and 2025, \$190,300 and \$294,199 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, 2026 and 2025 was as follows:

	<u>2026</u>	<u>2025</u>
Balance, July 1	\$ 18,103	\$ 18,775
Net loans charged off	(848)	(1,228)
Provision for losses on student loans	<u>(1,862)</u>	<u>556</u>
Balance, June 30	<u>\$ 15,393</u>	<u>\$ 18,103</u>

At June 30, 2026 and 2025, \$3,920 and \$7,373, respectively, of student loans receivable were over 90 days past due, of which all but \$0 and \$3,159, respectively, were guaranteed by one of the guarantee types shown above. The portion of the loss reserve at June 30, 2026 and 2025 which relates to non-guaranteed loans was \$15,393 and \$17,879, respectively.

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

VHEIP (also known as VT529) was established by the Vermont Legislature in April 1998. VHEIP encourages Vermont residents to save for college, registered apprenticeships or limited student loan repayment 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. In October 2025, VSAC changed plan manager from Catalis to Vestwell State Savings, LLC (Vestwell), a New York based company specializing in the administration and management of state-sponsored higher education savings plans.

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

VERMONT STUDENT ASSISTANCE CORPORATION

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

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

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

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

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

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

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

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

Fair Value Measurement

See note 3 for a discussion of the fair value hierarchy for measurement of investments. VHEIP plan participants are responsible for the selection of the investment plan option which most appropriately aligns with their investment goals and risk tolerance. Depending on the plan they elect their funds will be invested in a diversified selection of mutual funds which VSAC and Vestwell together have determined will meet their objectives.

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June 30, 2026 and 2025

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

These underlying investment funds which support the investment plans are comprised of the following investment types as of as of June 30, 2026 and 2025:

	<u>2026</u>		<u>2025</u>	
	Fair Value	Level	Fair Value	Level
Domestic equities	\$ 350,522	1	\$ 225,610	1
International equities	186,196	1	171,928	1
Government and private bonds	205,302	1	251,323	1
Real Estate (REITs)	-	1	23,426	1
Stable value/guaranteed return	<u>145,111</u>	3	<u>91,100</u>	3
	<u>\$ 887,131</u>		<u>\$ 763,387</u>	

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

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6. Capital Assets

A summary of capital assets activity for the years ended June 30, 2026 and 2025 was as follows:

	Balance June 30, <u>2025</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2026</u>
Capital assets not being depreciated:				
Land	\$ <u>3,150</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,150</u>
Capital assets being depreciated:				
Furniture and equipment	3,203	140	(32)	3,311
Software	1,661	162	-	1,823
Building	<u>17,148</u>	<u>119</u>	<u>(275)</u>	<u>16,992</u>
Total capital assets being depreciated	22,012	421	(307)	22,126
Less accumulated depreciation	<u>(15,719)</u>	<u>(948)</u>	<u>307</u>	<u>(16,360)</u>
Capital assets being depreciated, net	<u>6,293</u>	<u>(528)</u>	<u>-</u>	<u>5,766</u>
Capital assets, net	\$ <u>9,443</u>	\$ <u>(527)</u>	\$ <u>-</u>	\$ <u>8,916</u>
Intangible right-to-use subscription-based information technology arrangements (SBITA), cost	1,612	117	-	1,729
Less accumulated amortization	<u>(468)</u>	<u>(433)</u>	<u>-</u>	<u>(901)</u>
SBITA, net	<u>1,144</u>	<u>(316)</u>	<u>-</u>	<u>828</u>
Total capital assets	\$ 10,587	\$ (844)	\$ -	\$ 9,744
Less SBITA payable	<u>(486)</u>	<u>330</u>	<u>-</u>	<u>(156)</u>
Net capital assets	\$ <u>10,101</u>	\$ <u>(514)</u>	\$ <u>-</u>	\$ <u>9,588</u>

Depreciation charged to operations for the years ended June 30, 2026 and 2025 was \$948 and \$763, respectively. Amortization of SBITA charged to operations for these years ended June 30, 2026 and 2025 was \$433 and \$350, respectively. See note 9 for a discussion of the associated SBITA liability.

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7. Leases

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

A summary of facility lease receivable activity for the years ended June 30, 2026 and 2025 is as follows:

	<u>2026</u>	<u>2025</u>
Balance, beginning of year	\$ 477	\$ 645
Addition to deferred inflow	1,187	471
Resource inflows	<u>(420)</u>	<u>(639)</u>
Balance end of year	1,243	477
Less: non-current portion	<u>(850)</u>	<u>(233)</u>
Current portion	\$ <u>393</u>	\$ <u>244</u>

During the years ended June 30, 2026 and 2025, VSAC recognized \$453 and \$559, respectively, in facility lease revenues amortized from the deferred inflow of resources. During these same periods, VSAC realized \$103 and \$63 in revenues from interest associated with the leases. VSAC presently has four tenant leases for space in its office building:

On November 13, 2017, VSAC signed a lease with one tenant for a portion of its building. Following a fit-up period, the tenant commenced occupation on March 1, 2018. The initial term ended on February 28, 2023 and the lease was extended for a three-year period ending in 2026. The lease was amended effective March 2026 to extend the term for an additional three years, through 2029, while reducing the amount of leased square footage.

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 ended on June 30, 2025 and was renewed through June 30, 2030 and may be extended at the tenant's option for one five-year period. This extended period was for a reduced footprint.

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 ended on June 30, 2024 and was extended for an additional three years. This extended period was for a reduced footprint.

On September 4, 2024, VSAC signed a lease with a fourth tenant for a portion of its building. The initial term ends on September 30, 2029 and may be extended at the tenant's option for one five-year period.

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.

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8. Subscription-Based Information Technology Arrangements (SBITA)

In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), VSAC is required to present information related to certain contracts for remote or ‘cloud’ based software in a manner similar to leases. Since implementation and in each subsequent year VSAC identifies contracts which met the criteria of being longer than a year in duration and having payment amounts and timing which were forecastable. As of June 30, 2026 the agreements for these SBITA have durations of three years and their expiration dates are between 2027 and 2028.

A summary of the SBITA-related liability as of and for the years ended June 30, 2026 and 2025 is as follows:

	2026	2025
Balance, beginning of year	\$ 486	\$ 684
Additions	99	152
Resource outflows	<u>(429)</u>	<u>(350)</u>
Balance, end of year	156	486
Less: non-current portion	<u>(33)</u>	<u>(89)</u>
Current portion	<u>\$ 123</u>	<u>\$ 397</u>

Additionally, the balances in the statement of net position for this activity reflect accrued interest payable of \$4 and \$9 at June 30, 2026 and 2025 respectively.

Future maturities of the subscription payments as of June 30, 2026 through the expiration of the current terms are:

	Principal	Interest
6/30/2027	123	16
6/30/2028	<u>33</u>	<u>2</u>
	<u>\$ 156</u>	<u>\$ 18</u>

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9. Compensated Absences

In June of 2022 the GASB issued Statement No. 101 *Compensated Absences*, which requires measurement and reporting of reserves for employee compensated absences which vest as well as those which do not vest. VSAC's reserves for vacation vest within certain limits; reserves for medical leave do not vest and employees who depart forfeit accrued unused time.

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

	Vacation	Medical
Balance, June 30, 2024	\$ 536	\$ 2,005
Net increase (decrease) year ending 6/30/2025	<u>(47)</u>	<u>(364)</u>
Balance, June 30, 2025	489	1,741
Net increase (decrease) year ending 6/30/2026	<u>(9)</u>	<u>(163)</u>
Balance, June 30, 2026	<u>\$ 498</u>	<u>\$ 1,904</u>

All of the balance for vacation for all periods is reflected as a current liability and is included in VSAC's statements of net position as a component of the accounts payable and other liabilities liability. Of the balance for medical, \$201 and \$208 respectively were presented as current liabilities during the years ending 2026 and 2025 respectively; they are a component of the same liability line as the vacation reserve. The non-current portion of the medical reserve is presented as a non-current accrued liability.

10. Bonds and Notes Payable

VSAC has issued the following bonds and notes payable at June 30, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
<u><i>Bonds and Notes Payable which were issued to finance the origination of student loans:</i></u>		
2012 Series 1 dated November 28, 2012; comprised of variable-rate notes maturing on July 28, 2034; interest was variable and payable monthly at the 30-day average SOFR plus 0.11448% plus 0.70% (5.12539% at June 30, 2025). This note was retired in November 2025.	\$ 0	\$20,029
2013 Series 1 dated June 25, 2013; comprised of variable-rate notes maturing on April 30, 2035; interest was variable and payable monthly at the 30-day average SOFR plus 0.11448% plus 0.75% (5.17539 at June 30, 2025). This note was retired in November 2025.	0	13,012
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%.	3,330	4,215

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10. Bonds and Notes Payable (Continued)

2014 Series B dated November 21, 2014; comprised of variable-rate notes maturing on June 2, 2042; interest was variable and payable semi-annually at the 30-day average SOFR plus 0.11448% plus 1.0% (5.42703% at June 30, 2025). This note was retired in December 2025.	0	7,415
2015 Series A-1 dated July 16, 2015; comprised of fixed-rate bonds maturing between June 15, 2020 and 2034; interest was fixed and payable semi-annually at rates ranging from 4% to 5%. This note was retired in June 2026.	0	4,205
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%.	1,890	4,630
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%.	7,610	12,170
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%.	9,540	12,860
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%.	14,580	18,490
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%.	19,080	23,185
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%.	18,170	20,000
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%.	13,395	14,770
2023 Series A-1 dated June 15, 2023; comprised of fixed-rate bonds maturing between June 15, 2029 and 2041; interest is fixed and payable semi-annually at rates ranging from 4.0% to 5.0%.	15,425	17,150

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10. Bonds and Notes Payable (Continued)

2024 Series A-1 dated June 18, 2024; comprised of fixed-rate bonds maturing between June 15, 2029 and 2040; interest is fixed and payable semi-annually at rates ranging from 4.0% to 5.25%.	16,750	18,645
2025 Series A-1 dated June 5, 2025; comprised of fixed-rate bonds maturing between June 15, 2030 and 2041; interest is fixed and payable semi-annually at rates ranging from 4.75% to 5.25%.	<u>28,550</u>	<u>32,000</u>
Total bonds and notes payable	166,070	240,526
Bond premium/discount, net	<u>2,883</u>	<u>4,077</u>
Total bonds and notes payable, net of bond premium/discount	168,953	244,603
Less: current portion of bonds and notes payable	<u>15,090</u>	<u>15,970</u>
Noncurrent portion of bonds and notes payable	\$ <u>153,863</u>	\$ <u>228,633</u>

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

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

The 2012-1, 2013-1 and 2014-B notes (the variable rate notes) were 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.

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, 2026 and 2025, respectively, \$18,376 and \$50,339 in cash and investment interest receivable were pledged as security on the notes and bonds payable. At June 30, 2026 and 2025, respectively, \$190,300 and \$294,199 in student loan principal and interest were pledged as security on the notes and bonds payable.

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10. Bonds and Notes Payable (Concluded)

During the years ended June 30, 2026 and 2025, amortized deferred gains from prior year financed bond refundings of \$1,468 and \$1,263, respectively, are included as a reduction to interest expense.

The following summarizes the debt activity for VSAC for the years ended June 30, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Balance, beginning of year	\$ 244,603	\$ 259,479
Issuance	-	32,000
Premium on issuance	-	141
Redemptions, extinguishments, and refunding	(74,456)	(45,532)
Accretion/amortization of discount/premium	<u>(1,194)</u>	<u>(1,485)</u>
Balance, end of year	\$ <u>168,953</u>	\$ <u>244,603</u>

The debt service requirements, which are based on the interest rates at June 30, 2026, through the fiscal year ending (FY) 2031 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>
FY27	\$ 15,090	\$ 7,482	\$ 22,572
FY28	14,075	6,752	20,827
FY29	15,015	6,066	21,081
FY30	13,860	5,345	19,205
FY31	11,545	4,677	16,222
FY32 – 36	41,650	16,920	58,570
FY36 – 41	37,085	9,256	46,341
FY42 – 46	8,100	3,447	11,547
FY47 – 50	<u>9,650</u>	<u>197</u>	<u>9,847</u>
Total	\$ <u>166,070</u>	\$ <u>60,142</u>	\$ <u>226,212</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, 2026 and 2025 of \$3,008 and \$3,432, respectively. VSAC has calculated that there is no estimated current portion at June 30, 2026 or June 30, 2025. VSAC refunded \$0 in excess earnings to the U.S. Treasury in 2026 and 2025, in connection with final bond redemptions.

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12. Student Loan Interest and Special Allowance Revenues

Prior to the sale of the remaining FFEL loan portfolio in November 2025, ED made 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 began 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 began 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 accrued 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 short-term SOFR depending on the disbursement date of the loans and the issuance date of the financing obligations. All FFEL loans held by VSAC received special allowance based on short-term SOFR.

ED restricts student loan interest revenue for loans first disbursed after April 1, 2006. VSAC was 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 \$64 and \$120 in 2026 and 2025, 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.

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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, 2026 and 2025, the total net position related to Vermont Student Development Fund was \$15,767 and \$13,779, respectively. Expendable restricted net position totaled \$2,681 and \$2,510, respectively. The remaining \$13,086 and \$11,269, respectively, of net position related to endowment funds were nonexpendable.

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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, 2026 and 2025 is as follows:

	<u>2026</u>	<u>2025</u>
Expendable - restricted by bond resolutions	\$ 27,204	\$ 69,390
Expendable - restricted by federal or state statute or donors	766	3,381
Expendable - income is donor restricted for scholarships	2,681	2,510
Nonexpendable	<u>13,086</u>	<u>11,269</u>
Total restricted net position	<u>\$ 43,737</u>	<u>\$ 86,550</u>

The portion of net position which is restricted by bond resolutions included 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 was recognized as an offset to financing costs as the financing bonds were repaid. The balances of the deferred inflow of resources was \$0 and \$1,468 at June 30, 2026 and 2025, 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. VSAC's total payroll was \$10,689 and \$10,362, respectively. Total contributions by VSAC amounted to \$1,051 and \$1,022 in 2026 and 2025, respectively, which represented an average of 9.8% of the 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, 2026 and 2025.

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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, 2026 and 2025 is as follows:

	<u>2026</u>	<u>2025</u>
Balance, beginning of year	\$ 392	\$ 164
Claims paid	(3,179)	(2,745)
Accrual for estimated claims	<u>3,004</u>	<u>2,973</u>
Balance, end of year	\$ <u>217</u>	\$ <u>392</u>

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

Subsequent Event

VSAC is currently a defendant in legal proceedings arising in the ordinary course of business. The matter is in its early stages, and the Corporation is continuing to evaluate the potential financial impact, if any. Based on information currently available, VSAC does not believe that the ultimate resolution of this matter will have a material adverse effect on the VSAC's financial position, results of operations, or cash flows.

17. Loan Commitments

At June 30, 2026 and 2025, VSAC had commitments to extend credit for non-guaranteed student loans of approximately \$3,820 and \$3,125, 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.

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18. Blended Component Unit

As pointed out in note 1 the consolidated financial statements for VSAC include a blended component unit, the Vermont Student Development Fund (VSDF) whose activities are consolidated in these statements with VSAC's business type activities (BTA). Condensed consolidating financial statements as of June 30, 2026 and 2025 and for the years then ended are presented below.

Condensed Statement of Net Position as of June 30, 2026:

	BTA	VSDF	Consolidated
Assets:			
Current assets	\$ 127,375	\$ 12,367	\$ 139,742
Capital assets	9,744	-	9,744
Other assets	273,062	14,580	287,642
Total assets	410,181	26,947	437,128
Liabilities:			
Current liabilities	22,510	11,280	33,790
Non-current liabilities	158,607	-	158,607
Interfund due (to)/from	100	(100)	-
Total liabilities	181,217	11,180	192,397
Deferred inflows of resources-lease revenue	1,197	-	1,197
Net Position:			
Net investment in capital assets	9,588	-	9,588
Restricted net position	27,970	15,767	43,737
Unrestricted net position	190,209	-	190,209
Total net position	227,767	15,767	243,534
Total liabilities, deferred inflows and net position	\$ 410,181	\$ 26,947	\$ 437,128

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18. Blended Component Unit (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position for the year ending June 30, 2026:

	BTA	VSDF	Consolidated
Operating revenues:			
Revenue from education loan financing	\$ 23,942	\$ -	\$ 23,942
Federal and state grants	5,580	-	5,580
Facility lease and 529 plan revenue	2,037	-	2,037
Other revenue	316	-	316
Total operating revenues	<u>31,875</u>	<u>-</u>	<u>31,875</u>
Operating expenses:			
Operating and program expenses	21,616	345	21,961
Depreciation	948	-	948
Total operating expenses	<u>22,564</u>	<u>345</u>	<u>22,909</u>
Operating income	<u>9,311</u>	<u>(345)</u>	<u>8,966</u>
Noncapital subsidies (expense):			
Federal/state grant and scholarship revenue	25,121	8,095	33,216
Private scholarship and gift revenue	-	3,958	3,958
Grant and scholarship expense	<u>(27,736)</u>	<u>(12,469)</u>	<u>(40,205)</u>
Total noncapital subsidies	<u>(2,615)</u>	<u>(416)</u>	<u>(3,031)</u>
Nonoperating revenue (expense):			
Investment income	5,245	1,924	7,169
Contributions for permanent scholarship endowment	-	480	480
Interest expense, net of amortization	(7,119)	-	(7,119)
Other	(98)	-	(98)
Interfund transfers	<u>(345)</u>	<u>345</u>	<u>-</u>
Total nonoperating revenue	<u>(2,317)</u>	<u>2,749</u>	<u>432</u>
Change in net position	4,379	1,988	6,367
Total net position at the beginning of the year	<u>223,388</u>	<u>13,779</u>	<u>237,167</u>
Total net position at the end of the year	<u>\$ 227,767</u>	<u>\$ 15,767</u>	<u>\$ 243,534</u>

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18. Blended Component Unit (Continued)

Condensed Statement of Cash Flows for the year ending June 30, 2026:

	BTA	VSDF	Consolidated
Cash provided by (used in) operations	\$ 103,431	\$ (345)	\$ 103,086
Cash provided by (used in) noncapital financing	(88,560)	2,448	(86,112)
Cash used by capital and related financing	(862)	-	(862)
Cash provided by (used in) investing	5,236	477	5,713
Net increase (decrease) in cash	19,245	2,580	21,825
 Cash and cash equivalents, beginning of year	 92,606	 11,095	 103,701
 Cash and cash equivalents, end of year	 <u>\$ 111,851</u>	 <u>\$ 13,675</u>	 <u>\$ 125,526</u>

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18. Blended Component Unit (Continued)

Condensed consolidating financial statements as of June 30, 2025 and for the year then ended are presented below.

Condensed Statement of Net Position as of June 30, 2025:

	BTA	VSDF	Consolidated
Assets			
Current Assets	\$ 91,026	\$ 11,095	\$ 102,121
Capital Assets	10,587	-	10,587
Other Assets	379,897	13,278	393,175
Total Assets	<u>481,510</u>	<u>24,373</u>	<u>505,883</u>
Liabilities			
Current Liabilities	22,281	10,828	33,109
Non-current Liabilities	233,687	-	233,687
Interfund due (to)/from	234	(234)	-
Total Liabilities	<u>256,202</u>	<u>10,594</u>	<u>266,796</u>
Deferred inflows of resources-deferred bond gain	1,468	-	1,468
Deferred inflows of resources-lease revenue	452	-	452
Net Position			
Net investment in property and equipment	10,101	-	10,101
Restricted net position	72,771	13,779	86,550
Unrestricted net position	140,516	-	140,516
Total Net Position	<u>223,388</u>	<u>13,779</u>	<u>237,167</u>
Total liabilities, deferred inflows and net position	<u>\$ 481,510</u>	<u>\$ 24,373</u>	<u>\$ 505,883</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

(Dollars in Thousands)

18. Blended Component Unit (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position for the year ending June 30, 2025:

	BTA	VSDF	Consolidated
Operating revenues:			
Revenue from education loan financing	\$ 27,045	\$ -	\$ 27,045
Federal and state grants	5,597	-	5,597
Facility lease and 529 plan revenue	1,536	-	1,536
Other revenue	395	-	395
Total operating revenues	<u>34,573</u>	<u>-</u>	<u>34,573</u>
Operating expenses:			
Operating and program expenses	23,834	313	24,147
Depreciation	763	-	763
Total operating expenses	<u>24,597</u>	<u>313</u>	<u>24,910</u>
Operating income	<u>9,976</u>	<u>(313)</u>	<u>9,663</u>
Noncapital subsidies (expense):			
Federal and state grant and scholarship revenue	23,469	12,463	35,932
Private scholarship and gift revenue	-	4,008	4,008
Grant and scholarship expense	(24,948)	(16,807)	(41,755)
Total noncapital subsidies	<u>(1,479)</u>	<u>(336)</u>	<u>(1,815)</u>
Nonoperating revenue (expense):			
Investment income	4,989	1,433	6,422
Contributions for permanent scholarship endowment	-	196	196
Interest expense, net	(8,649)	-	(8,649)
Other	(750)	-	(750)
Interfund transfers	(313)	313	-
Total nonoperating revenue	<u>(4,723)</u>	<u>1,942</u>	<u>(2,781)</u>
Change in net position	3,774	1,293	5,067
Total net position at the beginning of the year	<u>219,614</u>	<u>12,486</u>	<u>232,100</u>
Total net position at the end of the year	<u>\$ 223,388</u>	<u>\$ 13,779</u>	<u>\$ 237,167</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

(Dollars in Thousands)

18. Blended Component Unit (Continued)

Condensed Statement of Cash Flows for the year ending June 30, 2025:

	BTA	VSDF	Consolidated
Cash provided by (used in) operations	\$ 25,719	\$ (313)	\$ 25,406
Cash provided by (used in) noncapital financing	(27,618)	(2,697)	(30,315)
Cash used by capital and related financing	(1,059)	-	(1,059)
Cash provided by (used in) investing	4,967	430	5,397
Net increase (decrease) in cash	2,009	(2,580)	(571)
Cash and cash equivalents, beginning of year	90,597	13,675	104,272
Cash and cash equivalents, end of year	<u>\$ 92,606</u>	<u>\$ 11,095</u>	<u>\$ 103,701</u>

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

SUPPLEMENTARY INFORMATION

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

For the years ending June 30, 2026 and 2025

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

Operations – This segment includes administration, 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 comprised of permanent and termed endowments.

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

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

SUPPLEMENTARY INFORMATION

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

For the years ending June 30, 2026 and 2025

For the year ended June 30, 2026

	Operations	Bond Funds	Scholarships	Grants	Elim.	Consolidated
Operating revenues:						
Revenue from education loan financing	\$ 6,988	\$ 16,954	\$ -	\$ -	\$ -	\$ 23,942
Federal and state grants	5,580	-	-	-	-	5,580
Facility lease and 529 plan revenue	2,037	-	-	-	-	2,037
Other revenue	316	-	-	-	-	316
Total operating revenues	14,921	16,954	-	-	-	31,875
Operating expenses:						
Operating and program expenses	18,745	2,344	345	527	-	21,961
Depreciation	948	-	-	-	-	948
Total operating expenses	19,693	2,344	345	527	-	22,909
Operating income	(4,772)	14,610	(345)	(527)	-	8,966
Noncapital subsidies (expense):						
Federal and state grant and scholarship revenue	-	-	8,095	25,121	-	33,216
Private scholarship and gift revenue	-	-	3,958	-	-	3,958
Grant and scholarship expense	-	-	(12,469)	(27,736)	-	(40,205)
Total noncapital subsidies	-	-	(416)	(2,615)	-	(3,031)
Nonoperating revenue (expense):						
Investment income	4,172	1,750	1,924	-	(677)	7,169
Contributions for permanent scholarship endowment	-	-	480	-	-	480
Interest expense, net	-	(7,796)	-	-	677	(7,119)
Other	(6)	(92)	-	-	-	(98)
Interfund transfers	49,786	(50,658)	345	527	-	-
Total nonoperating revenue	53,952	(56,796)	2,749	527	-	432
Change in net position	49,180	(42,186)	1,988	(2,615)	-	6,367
Total net assets at the beginning of the year	150,617	69,390	13,779	3,381	-	237,167
Total net assets at the end of the year	\$ 199,797	\$ 27,204	\$ 15,767	\$ 766	\$ -	\$ 243,534

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

SUPPLEMENTARY INFORMATION

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

For the years ending June 30, 2026 and 2025

For the year ended June 30, 2025

	Operations	Bond Funds	Scholarships	Grants	Elim.	Consolidated
Operating revenues:						
Revenue from education loan financing	\$ 5,754	\$ 21,291	\$ -	\$ -	\$ -	\$ 27,045
Federal and state grants	5,597	-	-	-	-	5,597
Facility lease and 529 plan revenue	1,536	-	-	-	-	1,536
Other revenue	395	-	-	-	-	395
Total operating revenues	13,282	21,291	-	-	-	34,573
Operating expenses:						
Operating and program expenses	19,749	3,616	313	469	-	24,147
Depreciation	763	-	-	-	-	763
Total operating expenses	20,512	3,616	313	469	-	24,910
Operating income	(7,230)	17,675	(313)	(469)	-	9,663
Noncapital subsidies (expense):						
Federal and state grant and scholarship revenue	-	-	12,463	23,469	-	35,932
Private scholarship and gift revenue	-	-	4,008	-	-	4,008
Grant and scholarship expense	-	-	(16,807)	(24,948)	-	(41,755)
Total noncapital subsidies	-	-	(336)	(1,479)	-	(1,815)
Nonoperating revenue (expense):						
Investment income	4,969	1,780	1,433	-	(1,760)	6,422
Contributions for permanent scholarship endowment	-	-	196	-	-	196
Interest expense, net	-	(10,409)	-	-	1,760	(8,649)
Other	(1)	(749)	-	-	-	(750)
Interfund transfers	9,785	(10,567)	313	469	-	-
Total nonoperating revenue	14,753	(19,945)	1,942	469	-	(2,781)
Change in net position	7,523	(2,270)	1,293	(1,479)	-	5,067
Total net assets at the beginning of the year	143,094	71,660	12,486	4,860	-	232,100
Total net assets at the end of the year	\$ 150,617	\$ 69,390	\$ 13,779	\$ 3,381	\$ -	\$ 237,167