

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

Financial Statements and Supplementary Information

*Years Ended June 30, 2024 and 2023*

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended June 30, 2024 and 2023

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis (Unaudited)	4 – 20
Basic Financial Statements:	
Statements of Net Position	21 – 22
Statements of Revenues, Expenses and Changes in Net Position	23
Statements of Cash Flows	24 – 25
Statements of Fiduciary Net Position and Revenues, Expenses and Changes in Net Position	26 – 27
Notes to Financial Statements	28 – 57
Supplementary Information – Statements of Revenue, Expenses and Changes in Net Position by Operating Segment	58 – 60



## 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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Corporation as of June 30, 2024 and 2023, 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.

#### ***Emphasis of Matter***

As described in Note 2 to the financial statements, the Corporation has restated the 2023 financial statements to correct the accounting treatment of certain contributions. Our opinions are not modified with respect to this matter.

***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 26, 2024 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 26, 2024

# VERMONT STUDENT ASSISTANCE CORPORATION

(A Component Unit of the State of Vermont)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Years Ended June 30, 2024 and 2023

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

VSAC administers the State grant program, funded by State appropriations, at no cost to the State. VSAC administers and awards approximately 149 scholarship programs, including VSAC assisted scholarships and scholarship funds held and managed by VSAC.

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

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

Management's Discussion and Analysis Report includes Fiscal 2024 and Fiscal 2023 information due to the fact that the Financial Statements include Fiscal 2024 and Fiscal 2023 information.

### The Financial Statements

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

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

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

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

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

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

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

Years Ended June 30, 2024 and 2023

**FISCAL 2024**

*Fiscal 2024 Highlights and Overall Financial Position*

- VSAC's total increase in net position for the years ended June 30, 2024 and 2023 was \$13.9 million and \$9.7 million, respectively. VSAC's total net position increased to \$232.1 million.
- Interest expense, which is a combination of bond interest costs offset by amortization of deferred gains on early bond retirement, decreased \$0.5 million from 2023 to 2024. See Interest Costs on page 11 of Management's Discussion and Analysis for details of the components of Interest Expense.
- During the year ended June 30, 2024, VSAC provided \$35.9 million in grants and scholarships to Vermont students.
- VSAC originated \$42.1 million in new loans to students and parents. VSAC holds and services \$389.1 million in education loans receivable and related interest at June 30, 2024.
- VSAC returned \$0.2 million in interest rebates to students in its loan programs during fiscal 2024.
- VSAC holds student loans and variable rate notes payable that were originally priced off of the London Inter Bank Offered Rate ('LIBOR'). The one-month LIBOR used as a reference rate by certain of VSAC's bonds expired at the end of the day on June 30, 2023. On March 15, 2022 the President signed legislation which would smooth transition of issuers of LIBOR-based obligations to a replacement reference rate. This legislation, the Adjustable Interest Rate (LIBOR) Act of 2021, provides for the replacement of LIBOR with the Secured Overnight Financing Rate (SOFR) plus a constant spread adjustment. Using the provisions of this legislation VSAC has transitioned to the use of the replacement rate as of July 1, 2023.
- Effective March 15, 2024 VSAC outsourced the servicing of its remaining Federal Family Education Loan (FFEL) program loans to a third party servicer. At the same time VSAC discontinued its loan guarantor activities under the FFEL program. The Federal guarantee for these loans is now performed by an entity selected by the Department of Education.
- During fiscal year 2024 VSAC corrected how it accounts for contributions to Termed Endowments to recognize these as non-Operating revenues as received. Consequently the amounts shown for as of June 30, 2023, and for the year then ended, have been revised

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

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

Years Ended June 30, 2024 and 2023

Condensed Financial Information

Statements of Net Position

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
<b>Assets:</b>		
Cash and investments	\$ 115,724	\$ 115,133
Education loans receivable (plus interest)	389,112	450,772
Other assets	<u>13,725</u>	<u>14,352</u>
Total assets	<u>\$ 518,561</u>	<u>\$ 580,257</u>
<b>Liabilities:</b>		
Bonds and notes payable (plus interest)	\$ 259,914	\$ 333,037
U.S. Treasury rebates payable	3,797	3,750
Other liabilities	<u>19,511</u>	<u>18,287</u>
Total liabilities	<u>283,222</u>	<u>355,074</u>
<b>Deferred inflows of resources:</b>		
Deferred inflows from leasing activity	508	1,179
Deferred gains on early refunding of bonds payable	<u>2,731</u>	<u>5,846</u>
Total deferred inflows of resources	<u>3,239</u>	<u>7,025</u>
Total liabilities and deferred inflows of resources	<u>286,461</u>	<u>362,099</u>
<b>Net position:</b>		
Net investment in capital assets	10,152	10,863
Restricted	89,006	77,403
Unrestricted	<u>132,942</u>	<u>129,892</u>
Total net position	<u>232,100</u>	<u>218,158</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 518,561</u>	<u>\$ 580,257</u>



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

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

Years Ended June 30, 2024 and 2023

Statements of Revenues, Expenses and Changes in Net Position

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Operating revenues:		
Interest earned from education loan financing	\$ 30,701	\$ 32,746
Other loan and guarantee program revenues	1,437	1,778
Investment interest	6,209	4,005
Vermont state support	29,609	25,494
Federal grants	7,134	6,558
Scholarship and gift income	6,863	6,284
Facility lease revenue	727	722
529 plan revenue	838	751
Other income	<u>1,373</u>	<u>1,098</u>
Total operating revenues	84,891	79,436
Operating expenses:		
Grants and scholarships	35,900	34,322
Interest rebated to borrowers	195	271
Interest on debt, net of amortization	10,244	10,741
Other loan financing costs	2,185	2,831
Corporate operating expenses and depreciation	<u>22,915</u>	<u>22,412</u>
Total operating expenses	<u>71,439</u>	<u>70,577</u>
Change in net position from operations	13,452	8,859
Contributions to scholarship endowments	<u>490</u>	<u>791</u>
Change in net position	13,942	9,650
Net position, beginning of year	<u>218,158</u>	<u>208,508</u>
Net position, end of year	\$ <u>232,100</u>	\$ <u>218,158</u>

Net Position

Cash and investment balances increased \$0.6 million from June 30, 2023 to June 30, 2024 from \$115.1 million to \$115.7 million. The cash balance associated with restricted bonds increased \$0.3 million during this time; cash and investment balances associated with restricted grants and scholarships increased \$4.6 million. Unrestricted cash decreased \$4.3 million during the year.

Student loans and interest receivable totaled \$389.1 million at June 30, 2024, down from \$450.8 million in 2023. This decrease is due to overall loan principal collections exceeding new loan originations in the VSAC private loan program.

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

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

Years Ended June 30, 2024 and 2023

Bonds and notes payable and accrued interest decreased \$73.1 million from \$333.0 million at June 30, 2023 to \$259.9 million at June 30, 2024. VSAC's financing activity in 2024 was comprised primarily of the following (in millions):

Principal payments, 2012-13-14 variable rate notes	\$ (65.3)
Principal payments, VSAC fixed rate bonds	(26.4)
Issuance of 2024A student loan financing bond	20.1
Premium/discount amortization	<u>(1.5)</u>
	<u>\$ (73.1)</u>

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

U.S. Treasury rebates payable is described in the expense discussion. This liability was \$3.8 million as of June 30, 2024 and 2023.

Unrestricted net position increased from \$129.9 million at June 30, 2023 to \$132.9 million at June 30, 2024. Including the Net Investment in Capital Assets section of Net Position, the year over year increase is \$2.3 million. VSAC's unrestricted net position at June 30, 2024 and 2023 consists of the following (in millions):

	<u>2024</u>	<u>2023</u>
Cash and investments	\$ 43.2	\$ 47.5
Investment in student loans and related interest	69.5	61.8
Physical plant	9.9	10.6
Subordinated VSAC bonds	22.5	22.5
Other	<u>(2.0)</u>	<u>(1.6)</u>
Total unrestricted including Net Investment in Capital Assets	<u>\$ 143.1</u>	<u>\$ 140.8</u>

Restricted net position increased from \$77.4 million at June 30, 2023 to \$89.0 million at June 30, 2024. This increase was primarily in the bond funds due to the operating surplus in those funds. Of the \$89.0 million, \$71.6 million is restricted by bond resolutions. The remaining \$17.4 million is restricted for scholarships and grants and for programs to encourage students to pursue higher education.

Revenues

VSAC's fiscal 2024 financial results increased net position by \$14.0 million. All revenues, except contributions to the permanent and termed scholarship endowments, are considered operating revenues. VSAC realized \$84.9 million in operating revenues versus \$71.4 million in total expenses. VSAC revenues include interest income on student loans, various federal interest subsidies and special allowance payments, State of Vermont grants, fees earned in the federal guarantee program, and lease revenues.

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

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

Years Ended June 30, 2024 and 2023

Overall loan revenue of VSAC is closely related to the general interest rate environment and the amount of loans outstanding. During 2024, loan revenue decreased from \$32.7 to \$30.7 million. The components of loan revenue are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
U.S. Department of Education interest benefits	\$ 110	187
U.S. Department of Education special allowance	4,231	4,026
Borrower interest and fees on student loans	26,437	29,290
Borrower interest paid to Department of Education	<u>(77)</u>	<u>(757)</u>
	<u>\$ 30,701</u>	<u>32,746</u>

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

- Interest for certain loans is paid by ED as a subsidized interest benefit on qualifying borrowers. This item decreased because the population of loans which qualify for this benefit is declining.
- ED also pays special allowance payments under certain interest rate conditions. This item increased because the impact of decreasing eligible loan balances was more than offset by the impact of increasing interest rate indices (LIBOR, or after 6/30/23 SOFR) which increase these payments.
- Although VSAC originates new non-guaranteed loans, the population of ED-guaranteed loans is paying down more rapidly, resulting in decreased borrower interest and fees.
- Certain borrower interest revenues which exceed the special allowance formulae must be paid to ED each quarter. The amount paid decreased for reasons similar to the special allowance change.

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

Other revenues associated with the loan and loan guarantee programs include consolidation fees, rehabilitation fees, default aversion fees, collections revenues, and other program fees and revenues. These fees and revenues decreased from \$1.8 million in fiscal 2023 to \$1.4 million in fiscal 2024. This decrease is primarily due to decreased volumes of FFEL program loans outstanding which generate these revenues. This decrease is also partially related to VSAC's discontinuation of its loan guarantor function effective March 15, 2024.

Interest rates on cash positions were higher during the year ended June 30, 2024, resulting in higher interest earnings over the prior year. Investments include unrestricted, student loan and scholarship funds temporarily invested in short-term investments, and scholarship endowment funds invested for long-term growth and income. Other gains (losses) related to investing, both realized gains (losses) on sales and unrealized gains (losses) on appreciated (depreciated) assets held at year-end, are reflected in the Other Income line and were \$1.1 million in 2024 and \$0.7 million in 2023.

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

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

Years Ended June 30, 2024 and 2023

VSAC's State revenue recognized increased to \$29.6 million in 2024 from \$25.5 million in 2023. State appropriation support including amounts reported as grants and scholarship income was \$28.3 million and \$28.4 million in the years ending June 30, 2024 and 2023. The difference between total State appropriation support and VSAC State revenue recognized is generally related to amounts which are not intended for the State need-based grant program which VSAC records as scholarship support. The primary driver of the overall increase in revenue was the recognition of \$2.9 million of unexpended funds related to the 802 Opportunity program, which had previously been presented as unearned revenue. As the State for fiscal 2025 has included this in its based grant appropriation, VSAC has recognized all previously awarded unexpended funds during fiscal 2024.

Federal grants were \$7.1 million in fiscal 2024 and \$6.6 million in fiscal 2023. The increase was primarily due to the new Healthcare Workforce Scholarship program. Generally Federal grants revenues are applied for only after VSAC has incurred expenses for administration and program activities associated with those grants. Federal scholarship funds are received in the year of their Federal budget authorization and revenues recognized by VSAC as awards are disbursed.

Scholarship revenues, representing the use of restricted gifts and grants, increased from \$6.3 million in 2023 to \$6.9 million in 2024. Additionally, donations of new permanent and termed scholarship endowment funds, a non-operating item, were \$0.5 million and \$0.8 million in 2024 and 2023, respectively.

In fiscal 2019, VSAC began leasing excess office space in its facility. The revenues recognized under these leases were \$727 thousand and \$722 thousand in fiscal 2024 and fiscal 2023, respectively. VSAC earns fees used for administration and marketing of the State's 529 higher education savings plan. These fees were \$838 thousand and \$751 thousand in fiscal 2024 and fiscal 2023, respectively. VSAC's revenue for this item is calculated based on the total market value of invested assets.

Expenses

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

Student Aid – VSAC provided Vermont students with \$35.9 million in student aid during fiscal 2024. Of this amount, \$30.4 million in grant aid was provided from State appropriations. An additional \$5.5 million was made available through various scholarship programs managed by VSAC. Direct aid in the form of grants and scholarships represented 50.3% of VSAC's operating expenses in fiscal 2024 compared to 48.6% in 2023.

While not strictly a student aid expense, interest rebated to borrowers helps current and former students and parents manage their education debt. VSAC provided \$0.2 million in rebates of interest to borrowers in 2024, which represents 0.3% of VSAC's operating expenses in fiscal year 2024 compared to 0.4% in 2023.

It is also important to note that, while not an expense to the Corporation, a significant portion of aid to students is the \$42.1 million in new loans VSAC made available to students and parents in fiscal 2024.

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

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

Years Ended June 30, 2024 and 2023

Interest Costs – In order to provide Vermont students and parents with low-cost loans, over time VSAC has issued two types of bonds that remain outstanding as of June 30, 2024 and 2023, fixed rate and variable rate. The interest costs of the bonds represent a significant expense category for VSAC. The variable-rate notes were issued to refinance VSAC's auction-rated securities and are supported by variable-rate student loans. The student loans and bonds bear interest at a fixed margin added to one or three-month LIBOR (after June 30, 2023 SOFR plus a fixed margin). This margin does not change after being set, when the bonds were sold, and loans originated. Fixed-rate bonds were issued beginning in 2010 in order to finance newly originated fixed-rate loans. These rate structures result in student loan interest revenue that is closely matched to bond interest expense.

VSAC's interest expense is comprised of two elements. One is the actual interest paid by VSAC on its indebtedness. This is partially offset by an amortized deferred retirement gain on bonds which certain VSAC bonds refunded. VSAC's interest paid is slightly lower year over year due to the decrease in bond and note balances. Net of deferred gains on early refunding, this expense represents 14.3% of VSAC's operating expenses in fiscal 2024, down from 15.2% in 2023.

The components of VSAC's interest expense for 2024 and 2023 were as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Interest expense incurred on outstanding debt	\$ 13,359	\$ 14,764
Amortization of deferred gain on refunded debt	<u>(3,115)</u>	<u>(4,023)</u>
Bond interest expense recognized, net	<u>\$ 10,244</u>	<u>\$ 10,741</u>

Other Loan Financing Costs – Other loan financing expenses include a variety of other costs incurred in issuing and managing \$259.9 million in outstanding bonds and notes. These costs totaled \$2.1 million in fiscal 2024 and \$2.8 million in fiscal 2023, representing approximately 3.1% and 4.0%, respectively, of total operating expenses in these years. A high-level breakdown of Other Loan Financing (in thousands) is:

	<u>2024</u>	<u>2023</u>
U.S. Treasury rebate	\$ 97	\$ (82)
FFEL Consolidation fees	1,185	1,728
FFEL Guarantor costs	-	7
Bond issuance costs	568	570
Provision for student loan losses	(162)	284
Other costs	<u>497</u>	<u>324</u>
Total other loan financing costs	<u>\$ 2,185</u>	<u>\$ 2,831</u>

Interest subject to U.S. Treasury rebate is a component of Other Loan Financing Costs. This represents earnings on tax-exempt bond-financed loans and investments that would be returned to the U.S. Treasury if the loan portfolios were completely liquidated at June 30 and all bondholders were repaid. VSAC manages this liability by issuing loan rebates to certain VSAC borrowers with the expectation that there will be no rebate due to the U.S. Treasury upon final maturity of the bond.

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

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

Years Ended June 30, 2024 and 2023

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

The components of Provision for Student Loan Losses fiscal 2024 and fiscal 2023 are presented here:

	<u>2024</u>	<u>2023</u>
Write-offs of defaulted loans	\$ 3,060	\$ 2,771
Recoveries of loans previously written off	(1,845)	(1,677)
Year-end adjustment of loan loss reserve	<u>(1,377)</u>	<u>(810)</u>
 Total Provision for Student Loan Losses	 \$ <u>(162)</u>	 \$ <u>284</u>

Costs of Operations – The costs of operating VSAC’s programs, as well as facilities and overhead costs, totaled \$22.9 million in fiscal 2024 compared to \$22.4 million in fiscal 2023. The primary components of VSAC’s operating costs (in thousands) were as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Salaries and wages	\$ 10,459	\$ 10,697
Employee healthcare costs	3,165	3,138
Other employee benefit costs	2,015	2,028
Administrative expenses	6,617	6,549
Separation-related expenses	<u>659</u>	<u>-</u>
 Total Costs of Operations	 \$ <u>22,915</u>	 \$ <u>22,412</u>

Overall costs of operations represent 32.1% of total operating expenses in fiscal 2024 compared to 31.8% in 2023.

Expenses for 2024 totaled \$71.4 million. Revenues including scholarship endowment contributions totaled \$85.3 million. The change in total net position for the year was an increase of \$13.9 million. The ending balance of net position at June 30, 2024 was \$232.1 million, as compared to \$218.2 million at June 30, 2023.

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

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

Years Ended June 30, 2023 and 2022

**FISCAL 2023**

*Fiscal 2023 Highlights and Overall Financial Position*

- VSAC's total increase in net position for the years ended June 30, 2023 and 2022 was \$9.7 million and \$4.4 million, respectively. VSAC's total net position increased to \$218.2 million.
- Interest expense, which is a combination of bond interest costs offset by amortization of deferred gains on early bond retirement, increased \$3.5 million from 2022 to 2023. See Interest Costs on page 11 of Management's Discussion and Analysis for details of the components of Interest Expense.
- During the year ended June 30, 2023, VSAC provided \$34.3 million in grants and scholarships to Vermont students.
- VSAC originated \$39.6 million in new loans to students and parents. VSAC holds and services \$450.8 million in education loans receivable and related interest at June 30, 2023.
- VSAC returned \$0.3 million in interest rebates to students in its loan programs during fiscal 2023.
- VSAC holds student loans and variable rate notes payable whose return is linked to the London Inter Bank Offered Rate ('LIBOR'). The one-month LIBOR used as a reference rate by certain of VSAC's bonds expired at the end of the day on June 30, 2023. On March 15, 2023 the President signed legislation which would smooth transition of issuers of LIBOR-based obligations to a replacement reference rate. This legislation, the Adjustable Interest Rate (LIBOR) Act of 2022, provides for the replacement of LIBOR with the Secured Overnight Financing Rate (SOFR) plus a spread adjustment. Using the provisions of this legislation VSAC has transitioned to the use of the replacement rate.
- During fiscal 2023 VSAC implemented GASB Statement No. 101, Compensated Absences. This statement changes how VSAC is required to account for compensated absences which do not vest such as medical leave. The application of this accounting change requires a retroactive restatement of all prior periods presented. This restatement resulted in a decrease of Net Position as of June 30, 2021 of \$2,273 and a decrease in Net Position of \$89 for the year ended June 30, 2022. The cumulative effect of the restatement was a decrease in Net Position of \$2,362 as of June 30, 2022.
- During fiscal year 2024 VSAC corrected how it accounts for contributions to Termed Endowments to recognize these as non-Operating revenues as received. Consequently the amounts shown for as of June 30, 2023 and 2022, and for the years then ended, have been revised.

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

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

Years Ended June 30, 2023 and 2022

Condensed Financial Information

Statements of Net Position

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
<b>Assets:</b>		
Cash and investments	\$ 115,133	\$ 119,343
Education loans receivable (plus interest)	450,772	527,661
Other assets	<u>14,352</u>	<u>15,294</u>
Total assets	<u>\$ 580,257</u>	<u>\$ 662,298</u>
<b>Liabilities:</b>		
Bonds and notes payable (plus interest)	\$ 333,037	\$ 423,971
U.S. Treasury rebates payable	3,750	3,885
Other liabilities	<u>18,287</u>	<u>14,716</u>
Total liabilities	<u>355,074</u>	<u>442,572</u>
<b>Deferred inflows of resources:</b>		
Deferred inflows from leasing activity	1,179	1,350
Deferred gains on early refunding of bonds payable	<u>5,846</u>	<u>9,868</u>
Total deferred inflows of resources	<u>7,025</u>	<u>11,218</u>
Total liabilities and deferred inflows of resources	<u>362,099</u>	<u>453,790</u>
<b>Net position:</b>		
Net investment in capital assets	10,863	11,528
Restricted	77,403	67,787
Unrestricted	<u>129,892</u>	<u>129,193</u>
Total net position	<u>218,158</u>	<u>208,508</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 580,257</u>	<u>\$ 662,298</u>



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

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

Years Ended June 30, 2023 and 2022

Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Operating revenues:		
Interest earned from education loan financing	\$ 32,746	\$ 27,100
Other loan and guarantee program revenues	1,778	1,949
Investment interest	4,005	468
Vermont state appropriations	25,494	22,291
Federal grants	6,558	8,509
Scholarship and gift income	6,284	4,921
Facility lease revenue	722	712
529 plan revenue	751	786
Other (loss) income	<u>1,098</u>	<u>(1,079)</u>
Total operating revenues	79,436	65,657
Operating expenses:		
Grants and scholarships	34,322	29,961
Interest rebated to borrowers	271	910
Interest on debt, net of amortization	10,741	7,267
Other loan financing costs	2,831	1,468
Corporate operating expenses and depreciation	<u>22,412</u>	<u>22,342</u>
Total operating expenses	<u>70,577</u>	<u>61,948</u>
Change in net position from operations	8,859	3,709
Contributions to permanent scholarship endowment	<u>791</u>	<u>691</u>
Change in net position	9,650	4,400
Net position, beginning of year	<u>208,508</u>	<u>204,108</u>
Net position, end of year	\$ <u>218,158</u>	\$ <u>208,508</u>

Net Position

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

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

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

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

Years Ended June 30, 2023 and 2022

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

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

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

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

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

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

Restricted net position increased from \$67.8 million at June 30, 2022 to \$77.4 million at June 30, 2023. This increase was primarily in the bond funds due to the operating surplus in those funds. Of the \$77.4 million, \$64.2 million is restricted by bond resolutions. The remaining \$13.2 million is restricted for scholarships and grants and for programs to encourage students to pursue higher education.

Revenues

VSAC's fiscal 2023 financial results increased net position by \$9.7 million. All revenues, except contributions to the permanent and termed scholarship endowments, are considered operating revenues. VSAC realized \$79.4 million in operating revenues versus \$70.6 million in total expenses. VSAC revenues include interest income on student loans, various federal interest subsidies and special allowance payments, State of Vermont grants, fees earned in the federal guarantee program, and lease revenues.

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

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

Years Ended June 30, 2023 and 2022

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

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

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

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

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

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

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

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

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

Years Ended June 30, 2023 and 2022

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

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

Scholarship revenues, representing the use of restricted gifts and grants, increased from \$4.9 million in 2022 to \$6.3 million in 2023. Additionally, donations of new permanent and termed scholarship endowment funds, a non-operating item, were \$0.8 million and \$0.7 million in 2023 and 2022, respectively.

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

Expenses

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

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

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

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

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

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

Years Ended June 30, 2023 and 2022

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

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

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

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

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

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

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

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

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

Years Ended June 30, 2023 and 2022

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

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

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

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

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

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

Expenses for 2023 totaled \$70.6 million. Revenues including scholarship endowment donations totaled \$80.2 million. The change in total net position for the year was an increase of \$9.7 million. The ending balance of net position at June 30, 2023 was \$218.2 million, as compared to \$208.5 million at June 30, 2022.

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

STATEMENTS OF NET POSITION

June 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Current assets:		
Cash and cash equivalents	\$ 43,153	\$ 47,502
Receivables		
Student loans, net	47,027	53,059
Student loan interest and special allowance	11,015	14,167
Investment interest	160	150
Federal administrative and program fees	-	39
Facility lease receivable	521	864
Other	1,697	1,252
Other assets	<u>387</u>	<u>429</u>
Total current assets	103,960	117,462
Noncurrent assets:		
Restricted cash	61,119	57,649
Scholarship endowment investments	11,452	9,982
Facility lease receivable	124	644
Student loans receivable, net	331,070	383,546
Capital assets, net	<u>10,836</u>	<u>10,974</u>
Total noncurrent assets	<u>414,601</u>	<u>462,795</u>
Total assets	<u>\$ 518,561</u>	<u>\$ 580,257</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 (CONCLUDED)

June 30, 2024 and 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Current liabilities:		
Bonds and notes payable	\$ 12,965	\$ 12,675
Accounts payable and other liabilities	3,303	3,318
Accrued interest on bonds payable	435	495
Subscription-based information technology arrangements (SBITA)	346	27
Unearned revenue	<u>13,775</u>	<u>12,785</u>
Total current liabilities	30,824	29,300
Noncurrent liabilities:		
Bonds and notes payable	246,514	319,867
Accrued liabilities	1,749	2,073
Subscription-based information technology arrangements (SBITA)	338	84
U.S. Treasury rebates payable	<u>3,797</u>	<u>3,750</u>
Total noncurrent liabilities	<u>252,398</u>	<u>325,774</u>
Total liabilities	283,222	355,074
Deferred inflows of resources:		
Deferred facility lease revenue	508	1,179
Deferred gains on early refunding of bonds payable	<u>2,731</u>	<u>5,846</u>
Total deferred inflows of resources	3,239	7,025
Total liabilities and deferred inflows of resources	286,461	362,099
Net position:		
Net investment in capital assets	10,152	10,863
Restricted	89,006	77,403
Unrestricted	<u>132,942</u>	<u>129,892</u>
Total net position	<u>232,100</u>	<u>218,158</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 518,561</u>	<u>\$ 580,257</u>

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



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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Operating revenues:		
Interest and fees on student loans:		
U.S. Department of Education interest benefits	\$ 110	\$ 187
U.S. Department of Education special allowance	4,231	4,026
Borrower interest and fees on student loans	26,437	29,290
Borrower interest returned to U.S. Department of Education	(77)	(757)
Vermont state grants	29,609	25,494
Interest on cash and investments	6,209	4,005
Guarantee agency administrative revenues	1,437	1,778
Federal grants	7,134	6,558
Scholarship and gift income	6,863	6,284
Facility lease revenue	727	722
529 Plan revenue	838	751
Other (loss) income	<u>1,373</u>	<u>1,098</u>
Total operating revenues	84,891	79,436
Operating expenses:		
Interest, net of amortization of bond premium and deferred gains on early refunding of bonds payable	10,244	10,741
Salaries and benefits	16,298	15,863
Grants and scholarships	35,900	34,322
Interest rebated to borrowers	195	271
Other general and administrative	5,842	5,751
Interest subject to U.S. Treasury rebate	97	(82)
Consolidation and lender paid fees	1,185	1,728
Other loan related expenses	497	331
Change in provision for losses on student loans	(162)	284
Depreciation	775	798
Bond issuance costs	<u>568</u>	<u>570</u>
Total operating expenses	<u>71,439</u>	<u>70,577</u>
Change in net position from operations	13,452	8,859
Contributions to permanent scholarship endowment	<u>490</u>	<u>791</u>
Change in net position	13,942	9,650
Net position, beginning of year, as restated for 2023	<u>218,158</u>	<u>208,508</u>
Net position, end of year	<u>\$ 232,100</u>	<u>\$ 218,158</u>

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

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Cash flows from operating activities:		
Cash received from customers, donors and governments	\$ 21,547	\$ 27,324
Principal payments received on student loans	105,296	122,540
Cash paid to suppliers for goods and services	(7,816)	(7,685)
Grants and scholarship disbursements	(35,900)	(34,322)
Loans made	(42,139)	(39,550)
Cash paid to employees for salaries and benefits	(16,171)	(15,922)
Interest and fees received on student loans	25,306	18,703
Vermont state appropriations received	<u>29,609</u>	<u>25,494</u>
Net cash provided by operating activities	79,732	96,582
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds payable	20,118	20,813
Payments on bonds payable	(91,664)	(110,175)
Interest paid to bond holders	<u>(14,936)</u>	<u>(16,335)</u>
Net cash used by noncapital financing activities	(86,482)	(105,697)
Cash flows from capital and related financing activities:		
Principal and interest paid for SBITA	(356)	(348)
Acquisition and construction of capital assets	<u>(67)</u>	<u>(124)</u>
Net cash used by capital and related financing activities	(423)	(472)
Cash flows from investing activities:		
Interest received on cash and investments	6,199	3,891
Contributions to scholarship endowments	490	791
Purchase of investments	(974)	(955)
Proceeds from sale of investments	<u>579</u>	<u>503</u>
Net cash provided by investing activities	<u>6,294</u>	<u>4,230</u>
Net decrease in cash and cash equivalents	(879)	(5,357)
Cash and cash equivalents, beginning of year	<u>105,151</u>	<u>110,508</u>
Cash and cash equivalents, end of year	<u>\$ 104,272</u>	<u>\$ 105,151</u>
Supplemental disclosure of non-cash operating activities:		
Student loan interest capitalized	<u>\$ 4,493</u>	<u>\$ 6,294</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Reconciliation of change in net position from operations to net cash provided by operating activities:		
Change in net position from operations	\$ 13,452	\$ 8,859
Adjustments to reconcile change in net position from operations to net cash provided by operating activities:		
Depreciation	775	798
Change in provision for losses on student loans	(162)	284
Net amortization of bond premium	(1,517)	(1,616)
Amortization of SBITA	344	341
Amortization of deferred facility lease revenue	(671)	(657)
Amortization of deferred gains on early refunding of bonds payable	(3,115)	(4,023)
Net realized and unrealized gains on investments	(1,076)	(695)
Investment interest received	(6,184)	(3,849)
Interest paid to bond holders	14,936	16,335
Lease receivable payments, net of fit up costs paid	863	858
Changes in operating assets and liabilities:		
Investment interest receivable	(10)	(114)
Student loans receivable	58,671	76,758
Student loan interest receivable	3,152	(149)
Federal administrative and program fees receivable	39	25
Other receivables	(445)	(176)
Other assets	42	(63)
Accounts payable and other liabilities	(339)	369
Unearned revenue	990	3,388
Accrued interest on bonds payable	(60)	44
U.S. Treasury rebates payable	47	(135)
Total adjustments	<u>66,280</u>	<u>87,723</u>
Net cash provided by operating activities	<u>\$ 79,732</u>	<u>\$ 96,582</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, 2024 and 2023

STATEMENTS OF NET POSITION

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Assets Held for Others</u>		
Cash	\$ 866	\$ 712
Investments	<u>672,158</u>	<u>594,980</u>
Total assets	<u>\$ 673,024</u>	<u>\$ 595,692</u>
<u>Liabilities</u>		
Accounts payable & other liabilities	<u>166</u>	<u>155</u>
Total liabilities	166	155
<u>Net Position</u>		
Restricted for program benefits	<u>672,858</u>	<u>595,537</u>
Total net position	<u>672,858</u>	<u>595,537</u>
Total liabilities and net position	<u>\$ 673,024</u>	<u>\$ 595,692</u>

STATEMENTS OF ADDITIONS, DEDUCTIONS AND CHANGES IN NET POSITION

	<u>Year ending June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Additions</u>		
Participant Contributions	80,771	71,833
Interest and investment income	15,548	14,515
Net increase(decrease) in fair value of investments	<u>45,176</u>	<u>32,366</u>
Total additions	141,495	118,714
<u>Deductions</u>		
Participant withdrawals	62,145	54,970
Administrative expenses	<u>2,029</u>	<u>1,845</u>
Total deductions	64,174	56,815
Change in Net Position	77,321	61,899
Net Position, beginning of year	<u>595,537</u>	<u>533,638</u>
Net Position, end of year	<u>\$ 672,858</u>	<u>\$ 595,537</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 (NOTE 6)

June 30, 2024 and 2023

STATEMENT OF NET POSITION

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Assets Held for Others</u>		
Cash	\$ 10,021	\$ 9,693
Other assets	<u>44</u>	<u>511</u>
Total assets	<u><u>10,065</u></u>	<u><u>10,204</u></u>
<u>Liabilities</u>		
Accounts payable & other liabilities	<u>-</u>	<u>466</u>
Total liabilities	-	466
<u>Net Position</u>		
Restricted for other purposes	<u>10,065</u>	<u>9,738</u>
Total net position	<u>10,065</u>	<u>9,738</u>
Total liabilities and net position	<u><u>\$ 10,065</u></u>	<u><u>\$ 10,204</u></u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>Year ending June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Additions</u>		
Reimbursement from ED on default loan purchases	4,320	7,095
Default loan collections	(23)	63
Investment income	557	334
Other loan administrative revenues	<u>37</u>	<u>498</u>
Total additions	4,891	7,990
<u>Deductions</u>		
Purchases of defaulted loans from lenders	4,317	7,086
Other deductions	<u>247</u>	<u>2,076</u>
Total deductions	4,564	9,162
Change in Net Position	327	(1,172)
Net Position, beginning of year	<u>9,738</u>	<u>10,910</u>
Net Position, end of year	<u><u>\$ 10,065</u></u>	<u><u>\$ 9,738</u></u>

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**1. Authorizing Legislation**

The Vermont Student Assistance Corporation (VSAC) was created as a public nonprofit corporation by an act of the General Assembly of the State of Vermont (the State) as an instrumentality of the State in accordance with the provisions of the *Higher Education Act of 1965*, as amended (the Act). The purpose of VSAC is to provide opportunities for Vermont residents to pursue postsecondary education by awarding grants and 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 a postsecondary education. The Fund provides a financial benefit to VSAC, and its Board of Directors is the same as the VSAC Board of Directors; therefore, it is considered a blended component unit of VSAC and is included in the totals on the financial statements. See note 19 for condensed financial statements of this component unit. The Internal Revenue Service (IRS) Form 990 of the Fund is a publicly available document and includes the basic financial statements of this component unit. It can be obtained at the website [www.guidestar.org](http://www.guidestar.org).

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

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

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

In March 2020, GASB issued statement No. 93, *Replacement of Interbank Offered Rates*. This statement is effective for financial statement reporting periods ending after December 31, 2021, and VSAC implemented this Statement on a timely basis. VSAC has outstanding certain variable-rate bonds whose periodic interest rate resets are based on 1 month LIBOR plus a margin. VSAC also has certain outstanding Federal student loans whose total return is based on 1 and 3 month LIBOR. On March 15, 2022 the President signed legislation intended to smooth transition of issuers of LIBOR-based obligations to a replacement reference rate. This legislation, the Adjustable Interest Rate (LIBOR) Act of 2021, provides for the replacement of LIBOR with the Secured Overnight Financing Rate (SOFR) plus a constant spread adjustment. The 1 month and 3 month LIBOR rates used as reference rates by certain of VSAC’s loans and bonds expired after June 30, 2023. Effective July 1, 2023 LIBOR has no longer been published and VSAC in accordance with the LIBOR Act has transitioned to the use of the SOFR plus the legislated spread adjustment as of July 1, 2023. VSAC believes this transition resulted in no material impact to net position or results of operations for the year ended June 30, 2024.

In June of 2022, GASB issued statement No. 100, *Accounting Changes and Error Corrections*. This statement defined a transition from a non-compliant accounting treatment to a compliant one as an error correction and, where material, required the correction to be presented as a restatement of all prior periods presented. During fiscal 2024 VSAC determined that its accounting treatment of contributions for Termed Endowments was inconsistent with authoritative guidance and considered this impact to be immaterial. Consequently, these amounts are revised for fiscal 2023 and presented correctly for fiscal 2024. This revision resulted in an increase in Net Position as of June 30, 2022 of \$606 and an increase in the change in net position of \$293 for the year ended June 30, 2023. The cumulative effect of the restatement was an increase in net position of \$899 as of June 30, 2023.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**2. Summary of Significant Accounting Policies (Continued)**

*Restrictions on Net Position*

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

*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. It also includes unamortized bond premium or discounts related to any outstanding debt attributable to these assets.

*Management Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires VSAC management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

*Cash Equivalents*

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

*Student Loans*

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

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



**VERMONT STUDENT ASSISTANCE CORPORATION**

(A Component Unit of the State of Vermont)

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**2. Summary of Significant Accounting Policies (Continued)**

Allowance for Loan Losses

VSAC issues loans that are not guaranteed against default and continues to hold and service these loans as well as loans guaranteed under the FFEL Program. Loans not guaranteed represent the greatest loss exposure for VSAC and make up the majority of management's loan loss allowance. The amount of the allowance, which is established through a provision for losses on student loans charged to expense, is based on management's 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 are either 2% or 3% of estimated defaults based on the origination date of the loan.

Operating and Non-Operating Revenues and Expenses

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

Investments

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

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

**VERMONT STUDENT ASSISTANCE CORPORATION**

(A Component Unit of the State of Vermont)

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**2. Summary of Significant Accounting Policies (Continued)**

Capital Assets

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

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

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

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

Bond Issuance Costs

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

Bond Discount/Premium and Deferred Gain/Loss on Refunding

Bond discounts and premiums are amortized using a method which approximates the level yield method over the life of the bonds. Any deferred gains or losses related to refinanced bonds are included in deferred inflows of resources or deferred outflows of resources, respectively, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The deferred gains or losses are amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. During the years ended June 30, 2024 and 2023, interest expense has been reduced by \$3,115 and \$4,023, respectively, for the amortization of the deferred gains on early refunding of bonds payable.

Leases

In accordance with GASB Statement No. 87, *Leases*, the discounted value of future lease payments and receipts is included in deferred outflows or deferred inflows of resources respectively. VSAC has leases with third-party tenants who lease portions of its physical premises. The present value of these leases is valued at inception and periodically revalued in accordance with GASB Statement No. 87 and presented as a deferred inflow of resources. These deferred inflows are amortized as lease revenue in a systematic and rational manner over the life of the lease. During the years ended June 30, 2024 and 2023, \$727 and \$722, respectively, was recognized as facility lease revenue.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**2. Summary of Significant Accounting Policies (Concluded)**

Grants

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

FFEL Program Support

VSAC receives a percentage of the amounts collected on defaulted loans, an origination fee, a portfolio maintenance fee and a default aversion fee from ED as its primary support for the administration of the FFEL Program. These fees are recorded as guarantee agency administrative revenues when earned, as the services are provided. Effective March 15, 2024 VSAC discontinued its functions as a FFEL guarantor and consequently will earn no further revenues from this program past that date. The fees associated with this activity were \$1.4 million and \$1.8 million respectively in 2024 and 2023.

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 assets in the Statement of Net Position; the non-current portion is a component of accrued liabilities under non-current liabilities.

Income Tax Status

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

**3. Cash, Cash Equivalents and Investments**

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**3. Cash, Cash Equivalents and Investments (Continued)**

*Cash and Cash Equivalents*

The carrying amounts which represent both cost and fair value of cash and cash equivalents as of June 30, 2024 and 2023 are presented below:

	<u>2024</u>	<u>2023</u>
Cash	\$63,106	\$ 64,448
Money market accounts	<u>41,166</u>	<u>40,703</u>
Total carrying value	<u>\$ 104,272</u>	<u>\$105,151</u>

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

At June 30, 2024 and 2023, cash is comprised of various commercial bank accounts. The bank balances at June 30, 2024 were \$63,589 and the bank balances at June 30, 2023 were \$64,637. The difference between the net bank balances and the amounts recorded on the financial statements is outstanding checks and deposits in transit. As of June 30, 2024, \$500 of the bank balances were covered by Federal Deposit Insurance Corporation (FDIC) insurance, \$73,615 of the bank balances were secured using a collateralization agreement with M&T Bank, and the remaining bank balances are uncollateralized.

At June 30, 2024 and 2023, 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, 2024 and 2023, \$42,115 and \$41,768, 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**3. Cash, Cash Equivalents and Investments (Continued)**

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, 2024 and 2023. Investments in intermediate term U.S. Government bonds represent 37% and 39% of VSAC’s scholarship investments at June 30, 2024 and 2023, respectively.

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

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

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy permits a maximum of 20% of the fair value of the equity portfolio to be invested in foreign securities, which equates to 11%-13% of total investments. VSAC invests only in a developed countries index fund (denominated in USD) in working within this policy. At June 30, 2024 and 2023 VSAC’s investment in this fund represents 12% and 12% of scholarship investments respectively.

*Fair Value Measurement*

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**4. Cash, Cash Equivalents and Investments (Concluded)**

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

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

VSAC held the following investments at June 30, 2024 and 2023:

	2024			2023		
	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>
Domestic equities	\$3,037	\$ 5,892	1	\$ 2,927	\$4,864	1
International equities	1,102	1,358	1	1,016	1,193	1
Government bonds and notes	<u>4,756</u>	<u>4,202</u>	1	<u>4,459</u>	<u>3,925</u>	1
	<u>\$8,895</u>	<u>\$11,452</u>		<u>\$ 8,402</u>	<u>\$9,982</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, 2024, VSAC held student loans with interest rates ranging from 2.875% to 12.87%; at June 30, 2023, the interest rates ranged from 2.875% to 12.10%. At June 30, 2024 and 2023, approximately 70.7% and 60.5%, 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**4. Student Loans Receivable (Concluded)**

Student loans receivable as of June 30, 2024 and 2023 are summarized as follows:

	<u>2024</u>	<u>2023</u>
<b>Status:</b>		
Interim status	\$ 24,904	\$ 21,208
Deferral status	10,974	10,461
Repayment status	360,994	425,089
Less: Allowance for loan losses	<u>(18,775)</u>	<u>(20,153)</u>
 Total student loans receivable	 378,097	 436,605
Less: Noncurrent student loans receivable	<u>331,070</u>	<u>383,546</u>
 Current student loans receivable	 <u>\$ 47,027</u>	 <u>\$ 53,059</u>
 <b>Guarantee type:</b>		
U.S. Department of Education	\$ 115,371	\$ 179,123
U.S. Department of Health and Human Services	22	30
Other – Guaranteed	947	1,066
Nonguaranteed	280,532	276,539
Less: Allowance for loan losses	<u>(18,775)</u>	<u>(20,153)</u>
 Total student loans receivable	 378,097	 436,605
Less: Noncurrent student loans receivable	<u>331,070</u>	<u>383,546</u>
 Current student loans receivable	 <u>\$ 47,027</u>	 <u>\$ 53,059</u>

As of June 30, 2024 and 2023, \$323,146 and \$390,278 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, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Balance, July 1	\$ 20,153	\$ 20,963
Net loans charged off	(1,216)	(1,094)
Provision for losses on student loans	<u>(162)</u>	<u>284</u>
 Balance, June 30	 <u>\$ 18,775</u>	 <u>\$ 20,153</u>

At June 30, 2024 and 2023, \$9,431 and \$8,204, respectively, of student loans receivable were over 90 days past due, of which all but \$3,410 and \$2,799, respectively, were guaranteed by one of the guarantee types shown above. The portion of the loss reserve at June 30, 2024 and 2023 which relates to non-guaranteed loans was \$18,503 and \$19,952, respectively.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

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

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

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

Investors in VHEIP are subject to many of the same elements of risk discussed in note 3. VSAC attempts to enable VHEIP participants to minimize their risk by offering only well diversified funds to VHEIP plan participants. VHEIP account owners can allocate their investment between the various plans which VHEIP offers but they cannot invest in individual securities. The plans as designed are comprised of 3-14 individual mutual funds with many of these being index funds. The sole exception is the Principal Plus Interest Option which is a plan offered by TIAA which preserves principal value while guaranteeing a stable return. It is important to note that while VSAC and Catalis 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.



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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

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

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

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

Fair Value Measurement

See note 3 for a discussion of the fair value hierarchy for measurement of investments. VHEIP plan participants are responsible for the selection of the investment plan option which most appropriately aligns with their investment goals and risk tolerance. Depending on the plan they elect their funds will be invested in a diversified selection of mutual funds which VSAC and Intuition together have determined will meet their objectives. These underlying investment funds which support the investment plans are comprised of the following investment types as of as of June 30, 2024 and 2023:

	2024		2023	
	Fair Value	Level	Fair Value	Level
Domestic equities	\$195,873	1	\$170,157	1
International equities	146,292	1	126,165	1
Government and private bonds	224,455	1	200,612	1
Real Estate (REITs)	21,521	1	18,925	1
Stable value/guaranteed return	84,017	3	79,121	3
	\$672,158		\$594,980	

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

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

To provide security and liquidity against potential defaults, VSAC is required to maintain reserves as specified by Title 16, Vermont Statutes Annotated §2864, Section 422 of Act 20 United States Code 1072, and under various agreements with the bond liquidity and credit enhancement providers. The *Higher Education Act Amendments of 1998* require VSAC to maintain reserves equal to 0.25% of the original disbursed amount of guaranteed student loans outstanding. During 2024 and 2023, VSAC maintained sufficient reserves to fully comply with these requirements. These cash reserves are the primary asset of the Federal Reserve Fund and are maintained in an interest-bearing liquid account which is secured by a collateralization agreement with M&T Bank.

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

During the year ended June 30, 2024 VSAC elected to terminate its contract as a FFEL Program guarantor and transfer the guarantee function for its Federally-guaranteed loans to a third party guarantor selected by the Department of Education. This was done effective March 15, 2024. VSAC anticipates the June 30, 2024 balances shown on the balance sheet for this fiduciary entity will be transferred to the Federal Department of Education during the year ended June 30, 2025.

Total outstanding loans issued under the FFEL Program were \$115,371 and \$179,123 at June 30, 2024 and 2023, respectively. Through March 15, 2024 defaults on FFEL Program loan guarantees were paid by ED through the Federal Loan Reserve Fund. Defaults subsequent to March 15, 2024 are being paid by ED through the designated successor guarantor.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**7. Capital Assets**

A summary of capital assets activity for the years ended June 30, 2024 and 2023 was as follows:

	<u>Estimated Lives</u>	Balance June 30, 2022	Net Increase (Decrease)	Balance June 30, 2023	Net Increase (Decrease)	Balance June 30, 2024
Assets not subject to depreciation						
Land	–	\$ 3,150	\$ -	\$ 3,150	\$ -	\$ 3,150
Assets subject to depreciation						
Furniture and equipment	3 – 15 Years	3,171	118	3,289	(25)	3,264
Software	3 – 5 Years	1,505	-	1,505	(23)	1,482
Building	5 – 30 Years	<u>17,407</u>	<u>(42)</u>	<u>17,365</u>	<u>-</u>	<u>17,365</u>
Total assets subject to depreciation		22,083	76	22,159	(48)	22,111
Less accumulated depreciation		<u>13,971</u>	<u>750</u>	<u>14,721</u>	<u>660</u>	<u>15,381</u>
Assets subject to depreciation, net		<u>8,112</u>	<u>(674)</u>	<u>7,438</u>	<u>(708)</u>	<u>6,730</u>
Property, plant and equipment, net		\$ 11,262	\$ (674)	\$ 10,588	\$ (708)	\$ 9,880
SBITA, cost		1,065	140	1,205	(152)	1,053
Less accumulated amortization		<u>(455)</u>	<u>(364)</u>	<u>(819)</u>	<u>722</u>	<u>(97)</u>
SBITA, net		<u>610</u>	<u>(224)</u>	<u>386</u>	<u>570</u>	<u>956</u>
Total capital assets		\$11,872	\$(898)	\$10,974	\$(138)	\$10,836
Less SBITA payable		<u>(344)</u>	<u>233</u>	<u>(111)</u>	<u>(573)</u>	<u>(684)</u>
Net investment in property and equipment		<u>\$11,528</u>	<u>\$(665)</u>	<u>\$10,863</u>	<u>\$(711)</u>	<u>\$10,152</u>

Depreciation charged to operations for the years ended June 30, 2024 and 2023 was \$775 and \$798, respectively. Amortization of SBITA charged to operations for these years ended June 30, 2024 and 2023 was \$353 and \$341, respectively. See note 9 for a discussion of the associated SBITA liability.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**8. Leases**

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

A summary of facility lease receivable activity for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 1,508	\$ 1,880
Addition to deferred inflow	-	486
Resource inflows	<u>(863)</u>	<u>(858)</u>
Balance end of year	645	1,508
Less: non-current portion	<u>(124)</u>	<u>(644)</u>
Current portion	\$ <u>521</u>	\$ <u>864</u>

During the years ended June 30, 2024 and 2023, VSAC recognized \$727 and \$722, respectively, in facility lease revenues amortized from the deferred inflow of resources. During these same periods, VSAC realized \$72 and \$131 in revenues from interest associated with the leases.

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

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

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

On February 15, 2019, VSAC signed a lease for a third tenant for a portion of its building. The tenant began its fit-up activity on June 1, 2019 on a portion of its space and completed its move-in prior to their deadline of August 1, 2021. The initial term ended on June 30, 2024 and was extended for an additional three years. This extended period was for a reduced footprint.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**9. 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, 2024 the agreements for these SBITA have durations of three to five years and their expiration dates are between 2026 and 2028.

A summary of the SBITA-related liability as of and for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 111	\$ 341
Additions	914	117
Resource outflows	<u>(353)</u>	<u>(347)</u>
Balance, end of year	672	111
Less: non-current portion	<u>(338)</u>	<u>(84)</u>
Current portion	<u>\$ 334</u>	<u>\$ 27</u>

Additionally, the balances in the statement of net position for this activity reflect accrued interest payable of \$12 and \$0 at June 30, 2024 and 2023 respectively.

Future maturities of the subscription payments as of June 30, 2024 through the expiration of the current terms are:

	Principal		Interest	
6/30/2025	\$ 334	\$	34	
6/30/2026	310		55	
6/30/2027	28		7	
	<u>\$ 672</u>	<u>\$</u>	<u>96</u>	

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**10. 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, 2022	\$563	\$2,362
Net increase (decrease) year ending 6/30/2023	<u>(38)</u>	<u>(7)</u>
Balance, June 30, 2023	525	2,355
Net increase (decrease) year ending 6/30/2024	<u>11</u>	<u>(350)</u>
Balance, June 30, 2024	<u>\$536</u>	<u>\$2,005</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, \$256 and \$282 respectively were presented as current liabilities during the years ending 6/30/2024 and 2023 respectively; they are a component of the same liability line as the vacation reserve. The non-current portion of the medical reserve is presented as a non-current accrued liability.

**11. Bonds and Notes Payable**

VSAC has issued the following bonds and notes payable at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<i><u>Bonds and Notes Payable which were issued to finance the origination of student loans:</u></i>		
2012 Series 1 dated November 28, 2012; comprised of variable-rate notes maturing on July 28, 2034; interest is variable and payable monthly at the 30-day average SOFR plus 0.11448% plus 0.70% (6.14957% at June 30, 2024).	37,862	81,606
2013 Series 1 dated June 25, 2013; comprised of variable-rate notes maturing on April 30, 2035; interest is variable and payable monthly at the 30-day average SOFR plus 0.11448% plus 0.75% (6.19957% at June 30, 2024).	20,083	38,971
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%.	5,120	7,180

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**11. Bonds and Notes Payable (Continued)**

2014 Series B dated November 21, 2014; comprised of variable-rate notes maturing on June 2, 2042; interest is variable and payable semi-annually at the 30-day average SOFR plus 0.11448% plus 1.0% (6.32466% at June 30, 2024).	9,214	11,840
2015 Series A-1 dated July 16, 2015; comprised of fixed-rate bonds maturing between June 15, 2020 and 2034; interest is fixed and payable semi-annually at rates ranging from 4% to 5%.	5,630	7,230
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%.	6,995	9,770
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%.	16,040	20,610
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%.	15,615	19,005
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%.	21,530	24,860
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%.	24,590	26,920
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%.	20,670	22,635
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%.	15,435	17,380
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%.	17,980	20,420

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**11. 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%.	19,545	-
Total bonds and notes payable	254,059	326,177
Bond premium/discount, net	5,420	6,365
Total bonds and notes payable, net of bond premium/discount	259,479	332,542
Less: current portion of bonds and notes payable	12,965	12,675
Noncurrent portion of bonds and notes payable	\$ 246,514	\$ 319,867

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) are subject to redemption prior to maturity at the principal amounts outstanding plus accrued interest at date of redemption. Certain series of VSAC's other bonds (the fixed rate bonds) are subject to redemption from excess revenues prior to maturity at the principal amounts outstanding plus unamortized premium and accrued interest at the date of redemption. At June 30, 2024, all bonds authorized under the underlying bond resolutions have been issued.

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

Proceeds from issuance of the bonds payable and all revenues thereon are held in trust and are restricted as follows: to repurchase bonds; finance student loans; pay interest on the bonds; maintain required reserves; and pay reasonable and necessary program expenses. At June 30, 2024 and 2023, respectively, \$42,115 and \$41,768 in cash and investment interest receivable were pledged as security on the notes and bonds payable. At June 30, 2024 and 2023, respectively, \$323,146 and \$390,278 in student loan principal and interest were pledged as security on the notes and bonds payable.

During the years ended June 30, 2024 and 2023, amortized deferred gains from prior year financed bond refundings of \$3,115 and \$4,023, respectively, are included as a reduction to interest expense.



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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**11. Bonds and Notes Payable (Concluded)**

The following summarizes the debt activity for VSAC for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 332,542	\$ 423,520
Issuance	19,545	20,420
Premium on issuance	573	393
Redemptions, extinguishments, and refunding	(91,664)	(110,175)
Accretion/amortization of discount/premium	<u>(1,517)</u>	<u>(1,616)</u>
Balance, end of year	\$ <u>259,479</u>	\$ <u>332,542</u>

The debt service requirements, which are based on the interest rates at June 30, 2024, through the fiscal year ending (FY) 2029 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>
FY25	\$ 12,965	\$ 12,376	\$ 25,341
FY26	16,055	11,734	27,789
FY27	15,950	10,954	26,904
FY28	15,085	10,180	25,265
FY29	16,220	9,454	25,674
FY30 – 34	39,630	38,800	78,430
FY35 – 39	91,150	14,828	105,978
FY40 – 44	29,254	8,265	37,519
FY45 – 49	<u>17,750</u>	<u>1,539</u>	<u>19,289</u>
Total	\$ <u>254,059</u>	\$ <u>118,130</u>	\$ <u>372,189</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.

**12. U.S. Treasury Rebates Payable**

The tax-exempt bonds issued by VSAC are subject to IRS regulations which limit the amount of income which may be earned on certain cash equivalents, investments and student loans acquired with tax-exempt bond proceeds. Any excess earnings are to be refunded to the U.S. Treasury. VSAC has calculated that there are U.S. Treasury rebates payable at June 30, 2024 and 2023 of \$3,797 and \$3,750, respectively. VSAC has calculated that there is no estimated current portion at June 30, 2024 or June 30, 2023. VSAC refunded \$0 and \$0 respectively in excess earnings to the U.S. Treasury in 2024 and 2023, in connection with final bond redemptions.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**13. Student Loan Interest and Special Allowance Revenues**

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

ED provides a special allowance to lenders participating in the FFEL Program Stafford, PLUS, SLS, and Consolidation student loan programs. Special allowance is paid based on a rate that is established quarterly. This rate is based on averages calculated from the rates of certain U.S. Treasury Bills, Financial Commercial Paper or one-month LIBOR (after 6/30/23 SOFR) depending on the disbursement date of the loans and the issuance date of the financing obligations. All FFEL loans held by VSAC receive special allowance based on one-month LIBOR.

ED restricts student loan interest revenue for loans first disbursed after April 1, 2006. VSAC is required to return borrower loan interest in excess of the special allowance formulae rates for certain FFEL Program Stafford, PLUS, and Consolidation loans. The return of interest totaled \$77 and \$757 in 2024 and 2023, respectively, and is reflected as a reduction of interest and fees on student loans in the Statements of Revenues, Expenses and Changes in Net Position.

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**14. Endowment Funds**

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

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

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

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

At June 30, 2024 and 2023, the total net position related to endowment funds was \$12,486 and \$10,944, respectively. Expendable restricted net position totaled \$2,232 and \$2,039, respectively. The remaining \$10,254 and \$8,905, respectively, of net position related to endowment funds were nonexpendable.

**VERMONT STUDENT ASSISTANCE CORPORATION**

(A Component Unit of the State of Vermont)

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**15. Restricted Net Position**

Restrictions on net position are the result of bond resolutions, state statutes, various federal regulations and program agreements, and donor restrictions. Bond resolutions restrict net position to the origination of student loans and payment of debt service on bonds and notes payable. State statutes and federal regulations and program agreements restrict various net position to use for specific grant, scholarship and educational activities. Donors have restricted a number of endowment funds for scholarship awards. Restricted net position as of June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Expendable - restricted by bond resolutions	\$ 71,660	\$ 64,215
Expendable - restricted by federal or state statute or donors	4,860	2,244
Expendable – income is donor restricted for scholarships	2,232	2,039
Nonexpendable – income is donor restricted for scholarships	<u>10,254</u>	<u>8,905</u>
Total restricted net position	<u>\$ 89,006</u>	<u>\$ 77,403</u>

The portion of net position which is restricted by bond resolutions includes the effect of deferring the recognition of gain on the early retirement of bonds. These bonds were retired in financed transactions during the year ended June 30, 2013 and the gain was deferred and is recognized as an offset to financing costs as the financing bonds are repaid. The remaining balances of the deferred inflow of resources of \$2,731 and \$5,846 at June 30, 2024 and 2023, respectively, will be recognized as a reduction of financing costs and increase of restricted net position over the remaining period the financing bonds are estimated to be outstanding. This estimated period was 10 years and 11 years as of June 30, 2024 and 2023, respectively.

**16. Retirement Benefits**

Full-time employees of VSAC that meet specific eligibility requirements are participants in a retirement annuity plan. This plan is a multi-employer defined contribution plan sponsored by the Teachers Insurance and Annuity Association of America-College retirement Equities Fund. All employees are fully vested for VSAC plan contributions. The payroll for employees covered under the plan for the fiscal years ended June 30, 2024 and 2023 amounted to \$9,953 and \$9,782, respectively; VSAC's total payroll was \$11,071 and \$10,697, respectively. Total contributions by VSAC amounted to \$1,081 and \$1,078 in 2024 and 2023, respectively, which represented an average of 10.9% and 11.0% of the covered payroll in those respective years.

VSAC employees who complete 15 years of continuing service and who are not otherwise eligible for Medicare coverage may elect to continue to buy VSAC's health care coverage at Consolidated Omnibus Budget Reconciliation Act (COBRA) rates. U.S. generally accepted accounting principles require recognition of current period costs related to expected future expenditures for Other Post-Employment Benefits. Since historical participation in this benefit has been very low and because participants are required to purchase coverage at a COBRA rate which recovers VSAC's average estimated per person cost, VSAC believes that this obligation is not material and has not recorded a liability for this post-employment benefit at June 30, 2024 and 2023.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**17. Contingencies**

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

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

A summary of the reserve for self-insured medical and dental liabilities included in accounts payable and other liabilities on the statements of net position as of June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 200	\$ 229
Claims paid	(3,160)	(3,131)
Accrual for estimated claims	<u>3,124</u>	<u>3,102</u>
Balance, end of year	\$ <u>164</u>	\$ <u>200</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.

As of June 30, 2024 and 2023, management believes VSAC has no pending legal actions an unfavorable outcome of which would have a material effect.

**18. Loan Commitments**

At June 30, 2024 and 2023, VSAC had commitments to extend credit for non-guaranteed student loans of approximately \$1,680 and \$3,503, respectively. Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the commitment agreement. Commitments generally have fixed expiration dates or other termination clauses. VSAC uses the same credit policies in making commitments as it does for student loans receivable.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**19. Blended Component Unit**

As pointed out in note 1 the consolidated financial statements for VSAC include a blended component unit, the Vermont Student Development Fund (VSDF) whose activities are consolidated in these statements with VSAC's business type activities (BTA). Condensed consolidating financial statements as of June 30, 2024 and 2023 and for the years then ended are presented below.

Condensed Statement of Net Position as of June 30, 2024:

	<u>BTA</u>	<u>VSDF</u>	<u>Consolidated</u>
Assets			
Current Assets	\$ 90,285	\$ 13,675	\$ 103,960
Capital Assets	10,836	-	10,836
Other Assets	392,219	11,546	403,765
Total Assets	<u>\$ 493,340</u>	<u>\$ 25,221</u>	<u>\$ 518,561</u>
Liabilities			
Current Liabilities	18,120	12,704	30,824
Non-current Liabilities	252,398	-	252,398
Interfund due (to)/from	(31)	31	-
Total Liabilities	<u>270,487</u>	<u>12,735</u>	<u>283,222</u>
Deferred inflows of resources-deferred bond gain	2,731	-	2,731
Deferred inflows of resources-lease revenue	508	-	508
Net Position			
Net investment in property and equipment	10,152	-	10,152
Restricted	76,520	12,486	89,006
Unassigned	132,942	-	132,942
Total Net Position	<u>219,614</u>	<u>12,486</u>	<u>232,100</u>
Total liabilities, deferred inflows and net position	<u>\$ 493,340</u>	<u>\$ 25,221</u>	<u>\$ 518,561</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**19. Blended Component Unit (Continued)**

Condensed Statement of Revenues, Expenses and Changes in Net Position for the year ending June 30, 2024:

	<u>BTA</u>	<u>VSDF</u>	<u>Consolidated</u>
Revenues			
Revenue from education loan financing	\$ 30,701	\$ -	\$ 30,701
Guarantee program revenues	1,437	-	1,437
Vermont State appropriations	25,935	3,674	29,609
Federal grants	4,831	2,303	7,134
Scholarship and gift revenue	-	6,863	6,863
Facility lease/529 plan revenue	1,565	-	1,565
Investment Interest and Other revenue	6,208	1,374	7,582
Total operating revenues	<u>\$ 70,677</u>	<u>\$ 14,214</u>	<u>\$ 84,891</u>
Expenses			
Operating and program expenses	57,156	13,508	70,664
Depreciation and amortization	775	-	775
Total operating expenses	<u>\$ 57,931</u>	<u>\$ 13,508</u>	<u>\$ 71,439</u>
Excess of operating revenues over expenses	12,746	706	13,452
Non-operating revenues and expenses			
Contributions to Permanent Scholarship Endowment	-	490	490
Interfund transfers	(346)	346	-
Total net position at the beginning of the year	<u>207,214</u>	<u>10,944</u>	<u>218,158</u>
Total net position at the end of the year	<u>\$ 219,614</u>	<u>\$ 12,486</u>	<u>\$ 232,100</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**19. Blended Component Unit (Continued)**

Condensed Statement of Cash Flows for the year ending June 30, 2024:

	<u>BTA</u>	<u>VSDF</u>	<u>Consolidated</u>
Cash provided by (used in) operations	\$ 77,881	\$ 1,851	\$ 79,732
Cash provided by (used in) noncapital financing	(86,482)	-	(86,482)
Cash used by capital and related financing	(423)	-	(423)
Cash provided by (used in) investing	5,955	339	6,294
Net increase (decrease) in cash	\$ (3,069)	\$ 2,190	\$ (879)
Cash and cash equivalents, beginning of year	93,666	11,485	105,151
Cash and cash equivalents, end of year	<u>\$ 90,597</u>	<u>\$ 13,675</u>	<u>\$ 104,272</u>



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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**19. Blended Component Unit (Continued)**

Condensed consolidating financial statements as of June 30, 2023 and for the year then ended are presented below.

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

	<u>BTA</u>	<u>VSDF</u>	<u>Consolidated</u>
<b>Assets</b>			
Current Assets	\$ 121,859	\$ 11,484	\$ 133,343
Capital Assets	10,974	-	10,974
Other Assets	425,958	9,982	435,940
Total Assets	<u>558,791</u>	<u>21,466</u>	<u>580,257</u>
	<u>\$ 558,791</u>	<u>\$ 21,466</u>	<u>\$ 580,257</u>
<b>Liabilities</b>			
Current Liabilities	18,801	10,499	29,300
Non-current Liabilities	325,774	-	325,774
Interfund due (to)/from	(23)	23	-
Total Liabilities	<u>344,552</u>	<u>10,522</u>	<u>355,074</u>
Deferred inflows of resources-deferred bond gain	5,846	-	5,846
Deferred inflows of resources-lease revenue	1,179	-	1,179
<b>Net Position</b>			
Net investment in property and equipment	10,863	-	10,863
Restricted	66,459	10,944	77,403
Unassigned	129,892	-	129,892
Total Net Position	<u>207,214</u>	<u>10,944</u>	<u>218,158</u>
Total liabilities, deferred inflows and net position	<u>\$ 558,791</u>	<u>\$ 21,466</u>	<u>\$ 580,257</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**19. Blended Component Unit (Continued)**

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

	<u>BTA</u>	<u>VSDF</u>	<u>Consolidated</u>
Revenues			
Revenue from education loan financing	\$ 32,746	\$ -	\$ 32,746
Guarantee program revenues	1,778	-	1,778
Vermont State appropriations	24,336	1,158	25,494
Federal grants	4,314	2,244	6,558
Scholarship and gift revenue	-	6,284	6,284
Facility lease/529 plan revenue	1,473		1,473
Investment Interest and Other revenue	4,201	902	5,103
Total operating revenues	<u>\$ 68,848</u>	<u>\$ 10,588</u>	<u>\$ 79,436</u>
Expenses			
Operating and program expenses	59,520	10,259	69,779
Depreciation and amortization	798	-	798
Total operating expenses	<u>\$ 60,318</u>	<u>\$ 10,259</u>	<u>\$ 70,577</u>
Excess of operating revenues over expenses	8,530	329	8,859
Non-operating revenues and expenses			
Contributions to Permanent Scholarship Endowment	-	791	791
Interfund transfers	(307)	307	-
Total net position at the beginning of the year	198,991	9,517	208,508
Total net position at the end of the year	<u>\$ 207,214</u>	<u>\$ 10,944</u>	<u>\$ 218,158</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

(Dollars in Thousands)

**19. Blended Component Unit (Concluded)**

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

	<u>BTA</u>	<u>VSDF</u>	<u>Consolidated</u>
Cash provided by (used in) operations	94,277	2,305	96,582
Cash provided by (used in) noncapital financing	(105,697)	-	(105,697)
Cash used by capital and related financing	(472)	-	(472)
Cash provided by (used in) investing	3,684	546	4,230
Net increase (decrease) in cash	(8,208)	2,851	(5,357)
Cash and cash equivalents, beginning of year	101,874	8,634	110,508
Cash and cash equivalents, end of year	<u>93,666</u>	<u>11,485</u>	<u>105,151</u>

**20. Termination Benefits**

During 2024 VSAC implemented a workforce reduction following its decision to exit the FFEL Guarantor function and outsource its loan servicing work associated with the FFEL Program portfolio. The employees who were separated from VSAC received a package of benefits. This package included continuing payment of their base compensation for a seniority-based period following their departure; the minimum period was 12 weeks and the maximum was 52 weeks. The program also included an option to pay 65% of the terminating employees' COBRA medical/dental insurance coverage for a period up to nine months following their departure from VSAC. Additionally the program included commitments to assist with job placement services for a period of twelve months following termination date.

Twelve VSAC employees were separated and executed the required documents between October 2023 and March 2024. The remaining estimated future costs under this program were accrued as of June 30, 2024 and the final payments under the program are expected to be made in May of 2025. The accrual related to compensation was calculated based on each departing employee's rate of pay as of their termination date, together with their years of service, which determined the number of weeks of separation payments they were entitled to under the plan. No accrual was made for COBRA or outplacement assistance since the amount and timing of these future expenses are not considered to be estimable or material.

During 2024 the following expenses were recognized under this program:

	<u>Compensation</u>	<u>Payroll Taxes</u>	<u>Outplacement/ COBRA</u>	<u>Total</u>
Paid during 2024	\$ 168	\$ 13	\$ -	\$ 181
Accrued for future periods	<u>444</u>	<u>34</u>	<u>-</u>	<u>478</u>
Total termination benefits expense	<u>\$ 612</u>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 659</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, 2024 and 2023

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

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

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

Scholarships – This segment includes all funds designated as scholarships and the related donations, earnings, and disbursements for the various scholarship programs administered by VSAC, including endowments. The balance of this segment primarily represents unspent invested amounts in the Vermont Student Development Fund, Inc. (d/b/a the Vermont Scholarship Fund), which is 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, 2024 and 2023

*For the year ended June 30, 2024*

	<u>Operations</u>	<u>Bond Funds</u>	<u>Scholarships</u>	<u>Grants</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues						
Revenue from education loan financing	\$ 5,870	\$ 24,831	\$ -	\$ -	\$ -	\$ 30,701
Guarantee program revenues	1,437	-	-	-	-	1,437
Vermont State appropriations	582	-	3,674	25,353	-	29,609
Federal grants	4,831	-	2,303	-	-	7,134
Scholarship and gift revenue	-	-	6,863	-	-	6,863
Facility lease/ 529 plan revenue	1,565	-	-	-	-	1,565
Investment interest and other revenue (loss)	5,832	2,262	1,374	-	(1,886)	7,582
Total operating revenues	<u>20,117</u>	<u>27,093</u>	<u>14,214</u>	<u>25,353</u>	<u>(1,886)</u>	<u>84,891</u>
Expenses						
Operating and program expenses	18,809	16,983	13,508	23,250	(1,886)	70,664
Depreciation	775	-	-	-	-	775
Total operating expenses	<u>19,584</u>	<u>16,983</u>	<u>13,508</u>	<u>23,250</u>	<u>(1,886)</u>	<u>71,439</u>
(Deficit) excess of operating revenues over expenses	533	10,110	706	2,103	-	13,452
Non-operating revenues and expenses						
Contribution to permanent scholarship endowment	-	-	490	-	-	490
Interfund transfers	1,806	(2,665)	346	513	-	-
Change in net position	2,339	7,445	1,542	2,616	-	13,942
Net position, beginning of the year, as restated	<u>140,755</u>	<u>64,215</u>	<u>10,944</u>	<u>2,244</u>	<u>-</u>	<u>218,158</u>
Net position, end of the year	<u>\$ 143,094</u>	<u>\$ 71,660</u>	<u>\$ 12,486</u>	<u>\$ 4,860</u>	<u>\$ -</u>	<u>\$ 232,100</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, 2024 and 2023

*For the year ended June 30, 2023*

	<u>Operations</u>	<u>Bond Funds</u>	<u>Scholarships</u>	<u>Grants</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues						
Revenue from education loan financing	\$ 4,919	\$ 27,827	\$ -	\$ -	\$ -	\$ 32,746
Guarantee program revenues	1,778	-	-	-	-	1,778
Vermont State appropriations	437	-	1,158	23,899	-	25,494
Federal grants	4,314	-	2,244	-	-	6,558
Scholarship and gift revenue	-	-	6,284	-	-	6,284
Facility lease/ 529 plan revenue	1,473	-	-	-	-	1,473
Investment interest and other revenue (loss)	4,097	1,631	902	-	(1,527)	5,103
Total operating revenues	<u>17,018</u>	<u>29,458</u>	<u>10,588</u>	<u>23,899</u>	<u>(1,527)</u>	<u>79,436</u>
Expenses						
Operating and program expenses	17,793	18,368	10,259	24,886	(1,527)	69,779
Depreciation	798	-	-	-	-	798
Total operating expenses	<u>18,591</u>	<u>18,368</u>	<u>10,259</u>	<u>24,886</u>	<u>(1,527)</u>	<u>70,577</u>
(Deficit) excess of operating revenues over expenses	(1,573)	11,090	329	(987)	-	8,859
Non-operating revenues and expenses						
Contribution to scholarship endowments	-	-	791	-	-	791
Interfund transfers	1,607	(2,430)	307	516	-	-
Change in net position	34	8,660	1,427	(471)	-	9,650
Net position, beginning of the year, as restated	<u>140,721</u>	<u>55,555</u>	<u>9,517</u>	<u>2,715</u>	<u>-</u>	<u>208,508</u>
Net position, end of the year	<u>\$ 140,755</u>	<u>\$ 64,215</u>	<u>\$ 10,944</u>	<u>\$ 2,244</u>	<u>\$ -</u>	<u>\$ 218,158</u>