

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Financial Statements and
Management's Discussion and Analysis
June 30, 2025 and 2024
With Independent Auditor's Reports

**Vermont State Colleges
(a Component Unit of the State of Vermont)
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June 30, 2025 and 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Vermont State Colleges:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the business-type activities as of June 30, 2025 and 2024, 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 Opinion

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Colleges, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards in the United States of America, "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 generally accepted auditing standards in the United States of America, "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 Colleges' 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 Colleges' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information as listed in the table of contents 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, on our consideration of the Colleges' 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 Colleges' 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 Colleges' internal control over financial reporting and compliance.

WithumSmith+Brown, PC

October 30, 2025

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Management's Discussion and Analysis (Unaudited)
June 30, 2025 and 2024

Introduction

The management of the Vermont State Colleges System (VSCS) has prepared the following unaudited Management's Discussion and Analysis (MD&A), required supplemental information according to the Governmental Accounting Standards Board (GASB). The intent is to contribute to the reader's understanding of the accompanying financial statements and notes. As this MD&A contains highly summarized information, tables, and graphs, it should be read in conjunction with the accompanying financial statements and notes.

Vermont State College System

Comprised of two public colleges - Community College of Vermont (CCV) and Vermont State University (VTSU) - the Vermont State Colleges System serves more than 15,000 students annually. These students participate in educational programs at the certificate, associates, bachelors, and masters levels. An expanding portion of the VSCS' portfolio includes continuing education and workforce development.

In 2020, the VSCS embarked upon a significant period of transformation. This five-year transformation, in partnership with the State of Vermont, includes expansion of the state appropriation, the merger of three colleges into Vermont State University as of July 1, 2023, aggressive administrative consolidation and significant financial restructuring. The intended result is a fiscally sustainable Vermont State Colleges System that secures the future of public higher education in Vermont for generations to come.

The Community College of Vermont (CCV) serves over 10,000 students annually, with 94% being Vermonters. More than half of these students are the first in their families to attend college, and over 60% graduate without debt. Each semester, CCV supports over 400 veterans and military-connected students, as well as nearly 3,000 high school students enrolled in college courses. The Class of 2025 included graduates as young as 17 and as old as 69. Three-quarters of degree-seeking students work while attending CCV. With support from Senator Sanders through a Congressionally Directed Spending grant, CCV, in collaboration with the Department of Corrections, continues to offer an educational program for incarcerated individuals, benefiting over 100 students and their families.

CCV has made significant efforts to ensure affordability, with substantial support from the State of Vermont, Vermont Student Assistance Corp (VSAC), and private funders. As a result, student borrowing decreased by 45% between 2021 and 2025. The institution is evolving to meet the changing needs of students, with a strong focus on remote learning. Consequently, CCV has expanded its remote learning opportunities and reduced its physical footprint by 23,000 square feet across its academic centers. The institution continuously evaluates student needs and makes conscious decisions about its programs and facilities to better serve its learners.

Between 2020 and 2024, Vermont State University focused on financial and academic restructuring to ensure long-term viability. In FY2025, the university launched several key initiatives to expand its reach, including a branding project to highlight its mission and vision and a partnership with Carnegie to identify academic programs for investment and expansion. Additionally, the university began assessing its online academic programs against national best practices. These projects are expected to conclude in the second quarter of FY2026 and will be crucial for the university's future. Vermont State University also continued its work on facilities, including the redevelopment of two buildings on the Johnson campus for a Community and Resilience Center and senior housing, both pending grant funding. These projects exemplify the public-private partnerships that the university hopes will enhance campus vibrancy.

In spring 2024, the Vermont State Colleges launched a steering committee to assess the replacement of its enterprise resource planning (ERP) system, Colleague. The committee recommended replacing the existing system with a modern solution better suited to the institution's needs. A request for proposals was issued in August 2024, and Workday was selected as the vendor for all ERP modules in January 2025. Implementation of Human Capital Management and Finance modules is currently underway, with completion planned for July 1, 2026. Planning and design for the student modules will begin in spring 2026.

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The system's transformation efforts will continue through June 30, 2026, with a focus on expanding enrollment and building financial sustainability. Over the next twelve months, the Vermont State Colleges will continue to prioritize efficiency improvements and cost-reduction measures that enhance student outcomes and support the institution's educational mission. Additionally, the system will embark on projects that drive student enrollment.

Significant Events Affecting These Financial Statements

Events that affect these statements during the past five years include:

- In 2020, the State of Vermont created the *Select Committee on the Future of Public Higher Education in Vermont*. The committee, established by the legislature, comprised of legislators, higher education professionals, government officials, and business leaders, provided guidance to the State of Vermont and Vermont State Colleges System leadership to address the urgent needs of the Vermont State Colleges. The *Select Committee* concluded its work in April 2021¹ with several key recommendations:
 - Reduce the structural deficit of the Vermont State Colleges System by \$25 million over five years through a combination of expense reductions and increased revenues. *This amount was reduced to \$22 million over five years during the 2024 legislative session.*
 - Increase state investment (base appropriation) in the Vermont State Colleges System from \$30.5 million to \$48.0 million within five years, *an amount that exceeded in FY2025.*
 - Merge Castleton University, Northern Vermont University, and Vermont Technical College into a single institution.
 - Consolidate administrative operations.
 - Provide bridge funding to support the Vermont State Colleges through the five-year transformation period.
- Honoring the recommendations from the *Select Committee on the Future of Public Higher Education in Vermont*, the State of Vermont has increased the base appropriation from \$30.5 million to \$52.4 million since FY2020, *exceeding* the recommendations of the *Select Committee*.
- Bridge funding, both in the form of general fund and federal American Rescue Plan Act grants have been received from the State of Vermont to support transformation of the Vermont State Colleges. Amounts received or allocated include:
 - FY2021: \$28.8 million in State General Fund
 - FY2022: \$21.0 million in ARPA grants for economic support for losses incurred.
 - FY2023: \$14.9 million in ARPA grants for economic support for losses incurred.
 - FY2024: \$3.82 million in State General Fund and \$5.18M in ARPA grants for economic support for losses incurred.
 - FY2025: \$10 million in state General Fund
 - FY2026: \$5 million state General Fund

¹ The committee's final report, issued April 9, 2021 is available on the State of Vermont website at: <https://ljfo.vermont.gov/assets/Uploads/c2ef482057/Final-Report-of-the-Select-Committee-on-the-Future-of-Public-Higher-Education-in-Vermont-Submitted.pdf>

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- In FY2021, the State of Vermont authorized a general fund allocation of \$20 million to support transformation activities. The first installment of these funds, \$8M, was received in FY2022. Subsequent installments were received in FY2023 and FY2024. The remaining installment was made in July 2024.
- Workforce development programs, funded via ARPA and Coronavirus Relief (CRF) grants as a pass through from the State of Vermont, were funded in FY2021, FY2022, FY2023. These programs, offering courses and certifications to Vermonters negatively affected by the COVID-19 Pandemic, have allowed upskilling and reskilling of more than two-thousand Vermonters. Allocated funds for these programs included:
 - FY2021: \$1.4 million
 - FY2022: \$3.0 million
 - FY2023: \$2.0 million
- For FY2022 and FY2023, legislatively directed scholarship programs, funded via ARPA grants as a pass through from the State of Vermont, funded degree completion programs, scholarships for critical occupations, and practical nursing programs. These “last dollar” scholarship programs eliminated the need for students in these programs to accept loans for tuition. Allocated funds for these programs included:
 - Long Term Care Practical Nursing Program: \$ 1.4 million
 - Degree Completion Program: \$ 3.0 million
 - Critical Occupations Scholarships: \$14.7 million
- For FY2024, new legislatively directed programs include \$3.8 million to provide Critical Occupation Scholarships at Vermont State University and \$4 million to reduce tuition at Community College of Vermont during the 2023-2024 academic year. The Critical Occupations program offers free last-dollar tuition for eligible students with a household income of \$75,000 or less enrolled in programs that lead to a career in early childhood occupations, clinical mental health counseling, criminal justice occupations, dental hygiene, and nursing. The Community College program reduces tuition for certificates, degrees, and courses that have a direct nexus to Vermont business and industry needs. Both programs are funded through one-time appropriations. For FY2025, the legislature appropriated \$1 million to continue the CCV Tuition Advantage program. Since its inception, the program has served more than 3,800 students at the Community College. This program was not funded for FY2026.
- The pandemic that began in January 2020 had a significant impact on the Vermont State Colleges System’s performance for FY2020 and FY2021. FY2022 saw some rebounding in terms of enrollment, specifically at Community College of Vermont and Castleton University. However, room participation and enrollment continued to stall at both Vermont Technical College and Northern Vermont University. Fortunately, two means of funding have had a positive impact on the Vermont State Colleges – Coronavirus Relief Funding allocated from the State of Vermont and federally allocated Higher Education Emergency Relief Funding (HEERF). Allocated funds from CRF and HEERF included:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>
○ Coronavirus Relief:	\$ 6.6M	\$15.7M	\$ 4.3M
○ HEERF (institutional):	\$ 2.9M	\$15.1M	\$ 5.8M
○ HEERF (student):	\$ 2.6M	\$ 3.5M	\$11.6M

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- Enrollment trends continue to be a concern for institutions of Higher Education. Across the country, enrollments have declined consistently since 2011. Although it is a national issue, these challenges to the industry are hitting New England and Vermont especially hard. There are declining numbers of traditional college students and increased competition among colleges for those students. Student preferences and attitudes toward higher education are changing. Historically, Vermont has ranked as 49th or 50th in the country with respect to its support for public higher education. However, recent investments in response to the pandemic and transformation of the Vermont State Colleges have made significant improvements in this area.
- The other post-employment benefit (OPEB) continues to pose a large liability at \$123 million, however since FY2021, the VSC has seen a substantial reduction in accrual due to the VSCS' adoption of a fully insured Medicare Advantage plan for retirees, effective January 1, 2022. It is important to note the OPEB obligation is not pre-funded but paid when incurred during the period. The retirement group was closed to new members in 2012 for all staff and administrators, and in 2015 for all faculty groups. An actuarial forecast anticipates that the Vermont State Colleges obligation will peak between 2028 and 2037 and from there decline to less than 50% of the anticipated FY2024 obligation by 2059.
- At the conclusion of FY2023, the Vermont State Colleges paid off the Series 2013 Revenue Bond ten years early. The benefits of this transaction were twofold. First, it reduced annual expenses by \$1.3 million annually for the remaining ten years of the term of the bond. This reduction was an important action relative to the system's ongoing commitment to reducing its annual expenditures. Second, the transaction eliminated \$2.4 million in interest expense over the remaining life of the bond.

Using these Financial Statements

The following discussion and analysis provides an overview of the financial statements and activities of the Vermont State Colleges System (VSCS) for the year ended June 30, 2025, and selected comparative information. Since this MD&A is designed to focus on current activities, resulting changes and currently known facts, please read this in conjunction with the financial statements and notes that follow this section.

These financial statements have been prepared in accordance with GASB (Government Accounting Standards Board) principles. In June 1999, GASB released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis*. Changes in Statement No. 34 compared to prior GASB pronouncements require a comprehensive consolidated look at the entity as a whole, as well as at capitalization and depreciation of assets. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This essentially applies Statement No. 34 to public colleges and universities. Previously, the financial statements focused on the individual fund groups rather than the whole of the VSCS.

A brief explanation of each financial statement required by the GASB reporting model follows:

Financial Statements

The Vermont State College System's financial statements include the following three primary components, which are more fully described as part of this discussion and analysis.

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

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STATEMENTS OF NET POSITION

The Statement of Net Position, also referred to as the balance sheet, offers a concise yet comprehensive overview of the Vermont State Colleges' (VSC) financial condition at a particular moment in time. This statement is a fundamental component of the system's financial reporting, helping stakeholders such as students, faculty, administrators, government officials, and the public understand the institution's fiscal health and ability to meet its obligations. By presenting a summary of all assets, liabilities, and the net position (also called equity), it enables readers to quickly assess the system's financial strengths and weaknesses.

To break it down further:

- **Assets:** These are all the economic resources that the Vermont State Colleges own and can use to provide services or generate future benefits. Assets typically include cash and cash equivalents, which are funds available for immediate use; investments, such as stocks or bonds; property, which covers land and buildings; equipment like computers and lab instruments; and other items of value. These resources are critical for daily operations and long-term planning. For example, having ample cash reserves allows the VSC to manage unexpected expenses or invest in new initiatives, while owning valuable property and equipment supports academic and administrative functions.
- **Liabilities:** These represent the financial obligations or debts that the VSC is required to pay to others. Common liabilities include loans taken to fund major projects, accounts payable to vendors for goods and services, bonds issued to finance capital improvements, and accrued expenses such as salaries or benefits owed to employees. Managing liabilities effectively is crucial for maintaining financial stability, as excessive debt can strain resources and limit future flexibility. The statement of net position lists these obligations so readers can evaluate whether the system's liabilities are manageable relative to its assets.
- **Net Position:** This is essentially the difference between total assets and total liabilities. The net position reflects the Vermont State Colleges' residual value, the amount that would remain if all assets were liquidated and all debts paid off. A positive net position indicates financial strength and a surplus, showing that the system has more resources than it owes. Conversely, a negative net position reveals a deficit, suggesting financial challenges or the need for corrective action. The net position is a key indicator of long-term fiscal sustainability and is closely monitored by leadership and external stakeholders.

In summary, the statement of net position is an essential financial document that provides a clear and organized picture of what the Vermont State Colleges own, what they owe, and their overall financial standing at a specific date. This information is vital for informed decision-making, strategic planning, and maintaining public trust, as it demonstrates the system's ability to fulfill its mission and remain financially healthy over time.

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The following table (Table 1) shows the condensed Statements of Net Position for the past five years.

TABLE 1: Condensed Statements of Net Position as of June 30
(\$ in millions)

	2025	% change	2024	% change	2023	% change	2022	% change	2021
Current Assets	142	6%	134	16%	116	-9%	127	32%	96
Noncurrent Assets									
Investments	84	8%	78	7%	73	52%	48	-13%	55
Capital assets, net	139	-1%	141	-4%	147	-6%	157	-2%	160
Other	1	-50%	2	0%	2	-33%	3	-25%	4
Deferred outflows/inflows	27	-25%	36	-12%	41	-16%	49	-14%	57
Total Assets and Def'd outflows/inflows	<u>393</u>	1%	<u>391</u>	3%	<u>379</u>	-1%	<u>384</u>	3%	<u>372</u>
Current liabilities	31	3%	30	11%	27	4%	26	-26%	35
Non current liabilities									
Post employ'm't benefit oblig	118	-4%	123	-8%	134	-17%	161	-32%	238
Bonds and Notes payable	84	-6%	89	-5%	94	-23%	122	-5%	128
Other	11	-35%	17	13%	15	275%	4	0%	4
Deferred outflows/inflows	74	-13%	85	-1%	86	16%	74	1750%	4
Total Liabilities	<u>318</u>	-8%	<u>344</u>	-3%	<u>356</u>	-8%	<u>387</u>	-5%	<u>409</u>
Net investment in cap'l assets	47	12%	42	-7%	45	18%	38	-7%	41
Restricted									
Nonexpendable	27	4%	26	4%	25	14%	22	5%	21
Expendable	37	28%	29	21%	24	50%	16	-20%	20
Unrestricted	<u>-36</u>	28%	<u>-50</u>	31%	<u>-72</u>	12%	<u>-82</u>	-31%	<u>-118</u>
Total Net Position	<u>75</u>	-60%	<u>47</u>	-114%	<u>22</u>	467%	<u>-6</u>	83%	<u>-36</u>
Total Liabilities and Net Position	<u>393</u>	1%	<u>391</u>	3%	<u>378</u>	-1%	<u>381</u>	2%	<u>373</u>

Table 1: Condensed Statements of Net Position as of June 30

Critical Insights from the Condensed Statements of Net Position

Total Net Position: Vermont State Colleges' net position increased by \$28 million (60%) last year, with a \$5 million (12%) rise in capital assets. Unrestricted net assets fell by \$14 million, mainly due to system upgrades. Overall, financial standing improved through strategic investments and asset management. Since 2021, total net position has shifted from negative \$36 million to positive \$75 million.

This significant improvement reflects the colleges' commitment to enhancing long-term sustainability through careful financial planning and prioritizing resource allocation. The increase in capital assets indicates ongoing investment in campus infrastructure and technological advancement, which helps foster an environment of academic excellence. Although unrestricted net assets declined, the decision to implement extensive system upgrades is expected to yield efficiency gains and cost savings over time. These actions demonstrate a proactive approach to addressing institutional needs and strengthening the foundation for continued growth. The shift from a negative to a positive total net position since 2021 marks a turning point, positioning Vermont State Colleges to better support students, staff, and the broader educational mission in future years.

Assets: The Vermont State Colleges experienced a modest increase in total assets, rising by \$2 million, or 1%, compared to the previous year.

Notably, since 2021, total assets have increased by \$20 million. Over this period, current assets have grown by \$46 million, while investments have increased by \$29 million. In contrast, capital assets have decreased by \$22 million, reflecting ongoing changes in the composition of the system's resources.

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Focusing on the most recent year, current assets saw a more substantial growth of \$8 million, representing a 6% year-over-year increase, while non-current assets grew by \$3 million, or 1.4%. A significant contributor to these gains was investment income, which increased by \$6 million during the period. Conversely, capital assets decreased by \$2 million, reflecting a reduction in property or equipment value. Additionally, deferred outflows and inflows, which relate to future financial transactions, declined by \$9 million, or 25%.

Overall, these changes indicate a stable and slightly improved asset position for the Vermont State Colleges, with notable growth in current assets and investment income offsetting declines in capital assets and deferred items.

Liabilities: In FY2025, Vermont State Colleges saw a notable improvement in their overall liability position. During the fiscal year, total liabilities decreased by \$26 million, representing an 8% reduction compared to the prior year. While current liabilities rose slightly by \$1 million (3%), non-current liabilities, decreased by \$27 million, inclusive of obligations related to OPEB. When comparing liabilities over the past five years, the most significant changes occurred in non-current liabilities, which fell by approximately \$90 million, or nearly 23%. Major contributing factors to this reduction included a \$5 million decrease in post-employment benefits (4%), a \$5 million decline in debt service obligations (6%), a \$6 million drop in other liabilities (35%), and a \$9 million decrease in deferred outflows and inflows (11%). Compared to 2021, total liabilities have shrunk by \$91 million (22%), with post-employment benefits, debt service, and deferred outflows and inflows representing the largest areas of improvement. These trends reflect strengthened financial stability and reduced long-term obligations for the Vermont State Colleges.

In FY2025, Vermont State Colleges achieved a significant improvement in their overall liability position, underscoring enhanced financial health and increased flexibility for future operations. Total liabilities declined by \$26 million, which amounts to an 8% reduction from the previous fiscal year. This substantial decrease was primarily driven by strategic efforts to manage long-term obligations and streamline financial commitments across the system.

While current liabilities, which typically include short-term obligations such as accounts payable, accrued expenses, and short-term debt, increased modestly by \$1 million (3%), this rise was more than offset by a dramatic reduction in non-current liabilities. Non-current liabilities, which encompass long-term debts like bonds payable, post-employment benefits, and other obligations that extend beyond the current year, dropped by a remarkable \$90 million over the past five years, or nearly 23%. This drop reflects deliberate steps taken to reduce long-term debt and manage employee benefit commitments more efficiently.

Several key factors contributed to the overall reduction in liabilities. Post-employment benefits, which include obligations for retiree healthcare, decreased by \$5 million, or 4%, indicating continued success related to the use of a third party for health care to control to control costs in this area. Debt service obligations, the amount required to repay outstanding loans and bonds, also fell by \$5 million (6%), demonstrating progress in reducing the system's reliance on borrowed funds through the active repayment of its obligations. Additionally, other liabilities declined by \$6 million, a substantial 35% reduction. Deferred outflows and inflows, which represent timing differences in recognizing certain revenues and expenses, decreased by \$9 million, or 11%, further strengthening the system's balance sheet.

When viewed in a broader context, these positive trends are even more pronounced. Compared to 2021, total liabilities have contracted by an impressive \$91 million, or 22%. The most significant improvements over this period have been in post-employment benefits, debt service, and deferred outflows and inflows, collectively illustrating a sustained commitment to reducing long-term financial risks and obligations.

Overall, these favorable liability trends point to a more resilient and sustainable financial outlook for the Vermont State Colleges. By lowering debt levels and managing benefit obligations, the system has improved its capacity to invest in strategic initiatives, respond to changing needs, and maintain public trust in its stewardship of resources. These efforts not only enhance day-to-day operational flexibility but also position the Vermont State Colleges for long-term fiscal health and mission fulfillment.

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Capital Assets and Debt Administration

A statement of capital assets is a section within an organization's financial statements that details the long-term resources it owns, such as buildings, land, vehicles, and specialized equipment. These assets are not consumed quickly or easily replaced; rather, they support the institution's operations over many years and represent significant investments.

Understanding the statement of capital assets is crucial because it directly impacts an organization's long-term financial health and operational capacity. For institutions like the Vermont State Colleges, capital assets, such as buildings, land, and equipment, are foundational to delivering educational services and fulfilling their mission. Monitoring changes in these assets provides valuable insight into how well the organization is maintaining, investing in, or divesting from its core infrastructure.

Ultimately, the statement of capital assets matters because it reflects the institution's commitment to maintaining the physical and financial foundations necessary for long-term success. It helps decision-makers evaluate the balance between investing in new assets and managing existing ones, which is essential for planning, accountability, and continued mission fulfillment.

Table 2 below shows the capital assets statement for the past five years.

Table 2: Capital Assets as of June 30
(\$ in millions)

	2025	% Change	2024	% Change	2023	% Change	2022	% Change	2021
Land	8	0%	8	0%	8	0%	8	-11%	9
Construction in progress	7	133%	3	0%	3	-50%	6	20%	5
Infrastructure	45	2%	44	2%	43	0%	43	2%	42
Buildings and improvements	269	1%	267	1%	265	2%	260	0%	261
Leasehold improvements	4	0%	4	0%	4	0%	4	0%	4
Equipment	48	7%	45	2%	44	2%	43	13%	38
Software arrangements (<i>GASB 96</i>)	4	33%	3	0%	5	0%	4	0%	0
Right of use assets (<i>GASB 87</i>)	20	0%	20	5%	19	0%	19	0%	18
Total Capital Assets	405	3%	394	1%	391	1%	387	3%	377
Accumulated Depreciation	-266	5%	-253	4%	-244	6%	-230	6%	-217
Capital Assets, Net	139	-1%	141	-4%	147	-6%	157	-2%	160
Related information									
Depreciation Expense	14	0%	14	27%	11	0%	11	10%	10
Outstanding Principal, Related Loans	89	-5%	94	-4%	98	-14%	114	-3%	118
SBITA Liability (<i>GASB 96</i>)	2	0%	2	0%	2	0%	3	0%	0
Lease Liability (<i>GASB 87</i>)	13	0%	13	0%	13	-13%	15	0%	17

Table 2: Capital Assets as of June 30

Critical Insights from the Capital Assets Statement

In FY2025, the Vermont State Colleges saw a slight decline in net capital assets, decreasing by \$2 million (1%) compared to the previous year. Over a longer period since 2021, net capital assets have fallen by \$21 million, or 13%. However, there were areas of notable investment: construction work in progress surged by \$4 million (133%) due to increased funding from the State of Vermont, granting authorities, and Vermont State University. Equipment assets also grew by \$3 million (7%). On the other hand, accumulated depreciation rose by \$11 million in the past year, with a total increase of \$39 million since 2021. These trends highlight both ongoing investments in infrastructure and the continuing impact of depreciation on the system's asset base.

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In FY2025, the Vermont State Colleges experienced a modest decline in net capital assets, as the total decreased by \$2 million, or 1%, compared to the prior year. This reduction, while relatively small on a year-to-year basis, is part of a more significant trend: since 2021, net capital assets have dropped by \$21 million, representing a 13% decrease. This ongoing erosion of net capital assets suggests ongoing pressures on the institution's long-term asset base, which is largely due to insufficient reinvestment.

Despite the overall decline in net capital assets, the statement also reveals targeted areas of substantial investment. Most notably, construction work in progress jumped by \$4 million, or 133%. This sharp increase reflects a renewed commitment to capital development, driven by additional funding received from the State of Vermont, external granting authorities, and Vermont State University itself. Such investments indicate efforts to modernize facilities, expand capacity, and address deferred maintenance needs, all of which enhance the system's ability to fulfill its educational mission and remain competitive.

Equipment assets also saw an upturn, increasing by \$3 million or 7%. This growth results from investments in new technology, instructional tools, and specialized equipment that supports academic and operational excellence. Upgrading or adding equipment is crucial for keeping pace with evolving educational standards and providing students and faculty with the resources they need for success.

However, these investments are counterbalanced by the impact of depreciation. Accumulated depreciation rose by \$11 million over the past year, and by \$39 million since 2021. Depreciation reflects the reduction in value of capital assets over time due to wear and tear, obsolescence, or age. The steady increase in accumulated depreciation diminishes the net book value of the system's assets, underscoring the importance of ongoing reinvestment to offset this natural decline. As depreciation continues to outpace investment in new or replacement assets, the system risks facing infrastructure deficits that could affect its operational and strategic goals.

Together, these trends highlight the dual forces shaping the Vermont State Colleges' capital asset profile: ongoing investments aimed at strengthening infrastructure and supporting long-term viability, and the persistent impact of depreciation, which reduces asset values over time. Monitoring these factors is essential for informed decision-making, effective resource allocation, and the preservation of the system's core mission and service capacity.

Statements of Revenues, Expenses, and Changes in Net Position

A condensed statement of revenues, expenses, and changes in net position is a summarized section of an organization's financial statements that presents an overview of its financial performance during a specific period. This statement highlights the main sources of revenue, the key operating and non-operating expenses incurred, and the resulting change in the organization's net position, which essentially reflects the increase or decrease in total assets minus liabilities. It provides stakeholders with a clear snapshot of financial health and operational outcomes without the detail of a full income statement.

The difference between current (operating) revenues and expenses and non-current (non-operating) revenues and expenses lies in their nature and purpose. Current, or operating, revenues and expenses are related to the primary activities of the organization, such as tuition and fees, grants, salaries, and utilities for a college. These reflect the ongoing business operations and are crucial for assessing day-to-day financial sustainability. Non-current, or non-operating, revenues, and expenses, on the other hand, stem from activities not directly tied to core operations. Examples include investment income, interest expense, gains or losses on asset sales, and certain one-time grants. These non-operating items can affect the overall financial position but do not represent the regular, recurring activities of the institution.

Understanding the distinction between operating and non-operating items helps users of the financial statements evaluate the sustainability of the organization's core functions versus the impact of less predictable, external factors.

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The following table (Table 3) shows the condensed Statements of Revenues, Expenses, and Changes in Net Position for the past five years.

Table 3: Condensed Statements of Revenues, Expenses, and Changes in Net Position
(\$ in millions)

	2025	% Change	2024	% Change	2023	% Change	2022	% Change	2021
Net Student Revenues	82	0%	82	-13%	94	15%	82	-6%	87
Grants and contracts	23	10%	21	5%	20	5%	19	6%	18
Other Operating Revenues	11	22%	9	0%	9	-47%	17	113%	8
Operating Revenues	116	4%	112	-9%	123	4%	118	4%	113
Operating Expenses	182	-3%	188	-3%	194	-4%	202	7%	188
Operating Loss	-66	-13%	-76	7%	-71	-15%	-84	12%	-75
Nonoperating Revenues (Expenses)									
Non Capital Appropriations	68	0%	68	33%	51	9%	47	-23%	61
Federal Grants & Contracts	19	-10%	21	-46%	39	-47%	73	70%	43
Gifts currently expendable	2	0%	2	0%	2	0%	2	-33%	3
Investment Income & Interest	8	14%	7	75%	4	-200%	-4	-157%	7
Interest Expense	-5	0%	-5	25%	-4	-33%	-6	0%	-6
Other nonoperating revenues	0	0%	0	0%	1	0%	-1	0%	0
Net Nonoperating Revenues	92	-1%	93	0%	93	-16%	111	3%	108
Total Change before other Revenues	26	53%	17	-23%	22	-19%	27	-18%	33
Other Changes in Net Position									
Capital Appropriation	2	-71%	7	75%	4	100%	2	0%	2
Capital gifts and grants	0	0%	0	0%	0	0%	0	0%	0
Endowment gifts	0	0%	1	0%	3	0%	1	0%	1
Change in Net Position	28	12%	25	-14%	29	-3%	30	-17%	36

Table 3: Condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30

Critical Insights from the Statements of Revenues, Expenses, and Changes in Net Assets

Throughout the fiscal year, the institution's financial performance exhibited both stability and noteworthy shifts across several key categories. Student revenue remained unchanged compared to the prior year, highlighting a period of enrollment stability or consistent tuition and fee structures. Grants and contracts, a significant source of support for the institution, rose by \$2 million, or 10%, reflecting not only a robust increase for the current year but also extending a positive pattern observed over the last five years. This trend underscores the institution's ongoing success in securing external funding for research and programmatic initiatives.

Other operating revenues also demonstrated growth, increasing by \$2 million (5%). This suggests that the institution was able to generate additional revenue from sources such as auxiliary services, sales, or other operational activities that supplement the core educational mission. In contrast to revenue gains, operating expenses decreased by \$6 million, representing a 3% reduction. Such a decline points to improved cost controls, efficiency measures, and strategic reduction in expenditures, contributing favorably to the system's bottom line.

As a result of these shifts, the overall operating loss for the period was \$10 million less than the previous year at a negative \$66 million. While still a loss, this figure represents a 13% improvement compared to the prior year, suggesting that the combined effect of diversifying and maintaining revenues and reduced expenses has put the system on a somewhat more stable operational footing.

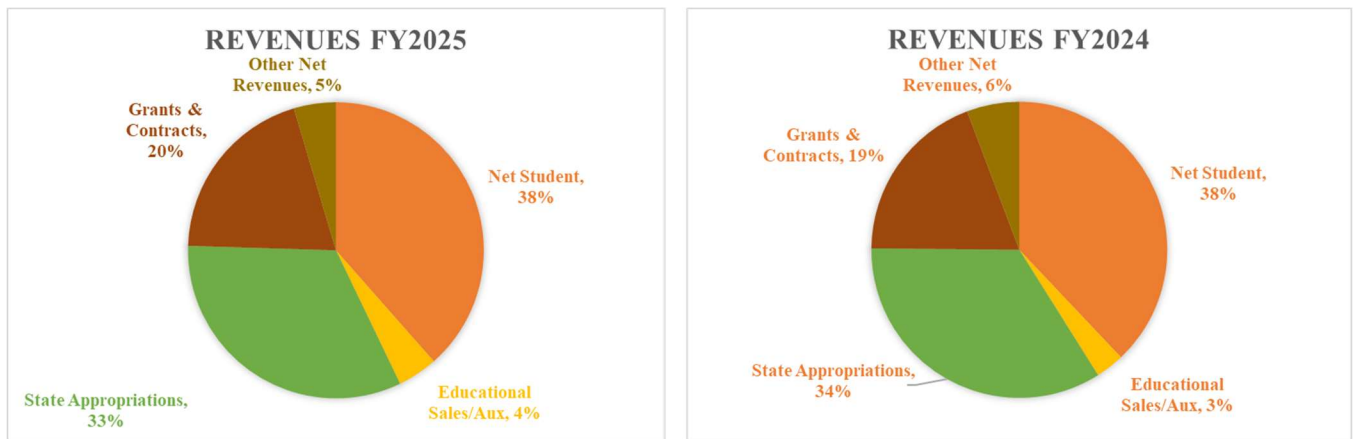
On the non-operating side, revenues and expenses remained essentially flat on a year-over-year basis, with only minor fluctuations across specific categories. While there was an increase in investment income and other non-core activities during the period these were outweighed by other activities.

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The total change in net position, a measure encompassing both operating and non-operating activities, was \$3 million (12%) higher than the previous year, indicating overall improvement in the system’s financial health for the current year. Nevertheless, it is important to note the longer-term context: since 2021, the yearly increase in net position has declined from \$36 million to \$28 million. Although the current year shows signs of positive momentum, this broader trend reflects ongoing financial challenges that continue to require strong strategic focus and continued vigilance moving forward.

Revenues

The charts below reflect the proportion of revenue assigned to each critical area of the Vermont State Colleges for the years ended June 30, 2025 and 2024, respectively.



Critical Insights from Revenues

During the fiscal year, the Vermont State Colleges experienced a mixed revenue picture, characterized by both declines and areas of growth. Overall revenue fell by \$4 million, or 1.8%, signaling continued financial pressures for the system. Net student revenue, which constitutes a substantial portion of total income, remained steady compared to the previous year, reflecting both a period of enrollment stability and consistent tuition and fee structures.

Notably, educational sales and auxiliary revenues rose by \$2.5 million, indicating successful efforts to supplement core revenues through additional operational activities. Grants and contracts also increased, albeit modestly, demonstrating the system’s continued ability to secure external funding for research and programmatic initiatives. However, other categories of revenue declined by \$2.7 million, offsetting some of these gains.

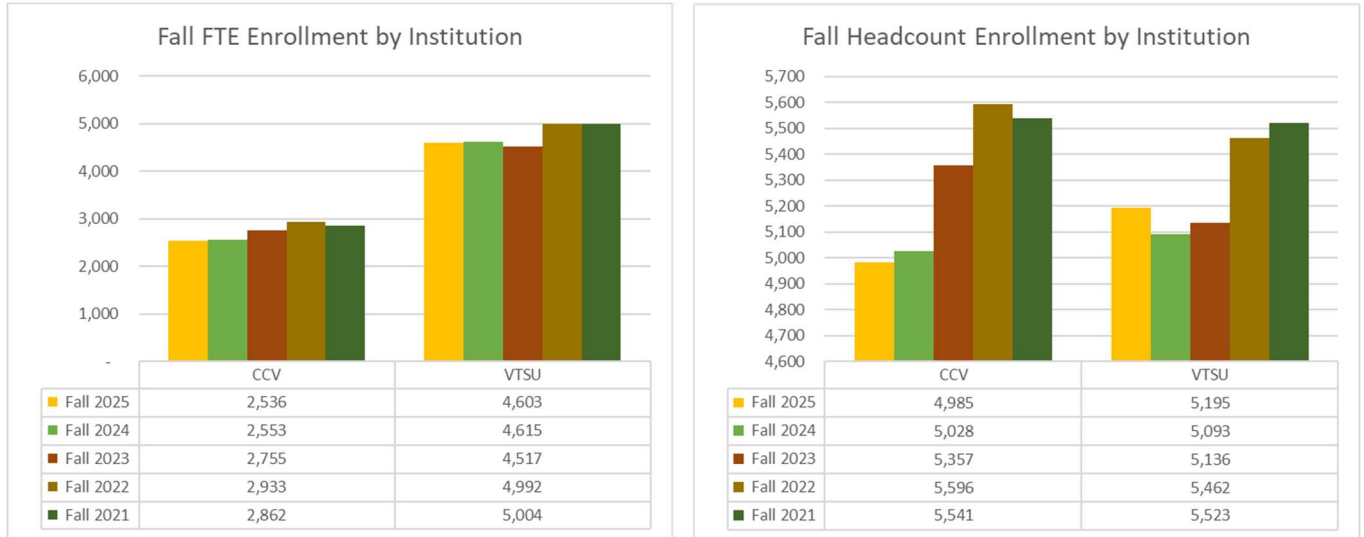
A significant development during the period was the expected \$5 million reduction in state appropriations, largely due to the planned phase-out of Bridge Funding. This decrease highlights a shift in the institution’s funding landscape and underscores the importance of diversifying revenue sources. Despite these changes, student revenue remained the largest single contributor, accounting for 38% of total revenues. The dip in state support further reinforces the system’s reliance on student-generated income and external grants.

Overall, the Vermont State Colleges’ revenue profile reflects a challenging environment, marked by the need to continue strengthening alternative revenue streams to sustain operations and support its educational mission.

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Fall FTE Enrollment and Headcount by Institution

The charts below reflect Full Time Equivalent (FTE) and headcount enrollment for fall 2021 through fall 2025.



Critical Insights from Fall FTE Enrollment and Headcount

As indicated in the revenues section, overall student revenue remained consistent year-over-year. This stability resulted from multiple factors affecting both Vermont State University and the Community College of Vermont.

In Fall 2024, Vermont State University’s full-time equivalent (FTE) enrollment increased by nearly 100 students, representing a 2% rise compared to the previous year. Conversely, the Community College of Vermont experienced an FTE enrollment decline of approximately 200 students, or about 8%. This decrease, however, was primarily attributable to a procedural change regarding the college’s payment requirements. Despite a lower reported enrollment figure, the actual number of students attending remained equal to or greater than that of the previous year.

Looking ahead, preliminary figures suggest that Fall 2025 enrollments will be consistent with the prior year, with both VTSU and CCV showing FTE enrollment levels comparable to those in Fall 2024. Nevertheless, a shift in the proportion of in-state and out-of-state students at the university deviates from budget projections, which is expected to have budgetary implications.

Total Operating and Non-operating Expenses

The statement of total operating and non-operating expenses offers a clear snapshot of what it costs to keep Vermont State Colleges running, broken down into two broad categories: operating expenses and non-operating expenses. For someone not familiar with accounting or finance, understanding these categories helps clarify how the institution uses its resources and what factors affect its overall financial health.

Operating expenses are the everyday costs required to deliver educational services and maintain campus life. This includes salaries for faculty and staff, maintaining buildings and grounds, utilities, supplies, and support services such as libraries and student counseling. These expenses are directly tied to the core activities of teaching, campus operations, and student services. When you think of the basic costs of keeping the colleges open and ensuring students have the resources they need to succeed, that’s the heart of operating expenses.

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Non-operating expenses refer to costs that aren’t directly connected to teaching or student services but still impact on the financial position of the colleges in the case of these financial statement it includes the interest paid on loans or bonds.

Table 4 below shows the total Operating and Non-operating expenses for the past five years.

Table 4: Total Operating and Non-operating Expenses for Years Ended June 30
(\$ in millions)

	2025	% Change	2024	% Change	2023	% Change	2022	% Change	2021
<u>Operating</u>									
Salaries & Benefits	109	-1%	110	1%	109	-3%	112	-6%	119
Utilities	7	0%	7	0%	7	17%	6	20%	5
Supplies and Svcs	42	-2%	43	-2%	44	0%	44	13%	39
Depreciation	14	0%	14	0%	14	0%	14	8%	13
Student Aid	10	-29%	14	-26%	19	-27%	26	117%	12
Total Operating	182	-3%	188	-3%	193	-4%	202	7%	188
<u>Nonoperating</u>									
Interest on Debt	5	0%	5	25%	4	-33%	6	0%	6
TOTAL Expenses	187	-3%	193	-2%	197	-5%	208	7%	194

Table 4: Total Operating and Non-operating Expenses for the years ended June 30

Critical Insights from Total Operating and Non-Operating Expenses

Salaries and benefits fell 1% (\$1 million) year-over-year and have dropped \$10 million (8.4%) since 2021 reflecting the system’s consistent efforts towards financial sustainability, transformation, and consolidation.

Year-over-year, expenditure on supplies and services decreased 2% (\$1 million) while spending on student aid declined by \$4 million (29%). Student aid spending has been consistently decreasing since 2022 when it peaked at \$26 million.

Student Financial Aid Trends

Total student aid includes both Scholarship Allowances, recorded as student revenue, and Scholarship Expenses, listed as expenses. Together, these represent institutional aid to students that is not funded by endowments.

In 2023, with the establishment of Vermont State University, the Vermont State Colleges Board of Trustees decided to address student discounting practices. Following recommendations from the institution's President and the System Chancellor, the Board approved reducing tuition at Vermont State University and adjusting the university's scholarship policies.

As a result, VTSU has experienced a notable decrease in both its Scholarship Allowance and Scholarship Expense categories. Over the past five years, Vermont State Colleges have worked to reduce student discounts, with combined spending across both categories peaking at \$64 million in Fiscal Year 2022 (fall 2021) and declining to \$28 million.

This trend indicates a change in institutional focus, prioritizing initial tuition rates, particularly for in-state students and those with the greatest financial need. These changes have affected enrollment patterns and to some degree persistence and retention. Additional adjustments to these practices are expected for FY2027 and subsequent years.

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The following table (Table 5) shows Student Financial Aid trends over the past five years.

Table 5: Student Financial Aid Trends for Past Five Years
(\$ in millions)

	<u>FY25</u>	<u>FY24</u>	<u>FY23</u>	<u>FY22</u>	<u>FY21</u>
Scholarship Allowances (included in revenue)	22	20	29	38	31
Scholarship Expenses (included in expenses)	6	14	19	26	13
Total Student Financial Aid	28	34	48	64	44

Table 5: Student Financial Aid Trends for the past five years ended June 30

Statements of Cash Flows

The Statements of Cash Flows show the sources and uses of funds during a period and are comprised of activities related to: operating, non-capital financing, capital and related financing, and investing activities.

Cash flows from operating activities differ from net operating income or loss on the SRECNA because the latter includes noncash items like depreciation and uses accrual accounting. Main cash inflows are tuition, fees, grants, contracts, and auxiliary revenues, while outflows cover wages, benefits, operating expenses, and scholarships. Cash flow from operations rose sharply in FY2022 due to increased Operating Grants (ARPA, HEERF, CRF), with smaller increases in FY2023; these grants declined in FY2024 and are expected to decrease further in FY2025.

According to accounting standards, state operating appropriations and federal PELL grant revenue are classified as noncapital financing activities, even though they fund operations. Table 6 shows that including these revenues results in positive operating cash flows every year.

In normal years, there are two primary sources of noncapital financing: state appropriations and non-operating federal grants that fund PELL student grants. Accounting standards require that we reflect these sources of revenue as non-operating, even though each of the colleges depends on them to continue the current level of operations.

Between FY2021 and FY2023, the Vermont State Colleges received a significant influx in federal funding in the form of American Rescue Plan Act, Higher Education Emergency Relief, and Coronavirus Relief funds support recovery from the COVID-19 pandemic. These monies increased the non-operating federal grants line from \$16 million in FY2019 to \$73 million at the end of FY2022. In FY2023, non-operating grants dropped to \$39 million based on slowed receipt of these grant funds, these grants declined further in FY2024. It is expected these funds will return to baseline by FY2026.

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June 30, 2025 and 2024

The following table (Table 6) shows the Statements of Cash Flows over the past five years.

Table 6: Condensed Statement of Cash Flows as of June 30
(\$ in millions)

Cash flows from:	2025	% Change	2024	% Change	2023	% Change	2022	% Change	2021
Operating	-64	-11%	-72	22%	-59	-30%	-84	79%	-47
Non capital financing	89	-1%	90	-2%	92	-21%	117	9%	107
Capital and related financing	-20	233%	-6	-63%	-16	7%	-15	88%	-8
Investing	2	0%	2	-110%	-20	-767%	3	0%	0
Net increase (decrease)	6	-57%	14	-567%	-3	-114%	21	-60%	52
Cash, Beginning of Year	113	14%	99	-3%	102	26%	81	179%	29
Cash, End of Year	119	5%	113	14%	99	-3%	102	26%	81
Operating cash flows if noncapital appropriations and non-operating grants were included									
Operating	-64	-11%	-72	22%	-59	-30%	-84	79%	-47
Non capital appropriations	68		68		51		47		61
Non operating grants	19		21		39		73		43
Operating cash flows with non-operating additions	23	35%	17	-45%	31	-14%	36	-37%	57

Table 6: Condensed Statement of Cash Flows for the years ended June 30

Economic Factors That Will Affect the Future

Chancellor Elizabeth Mauch, along with the Presidents of the Community College of Vermont and Vermont State University, are committed to establishing a future in which all Vermonters have access to relevant, affordable, and adaptable educational opportunities that support career development, foster economic progress, and enhance statewide social welfare. Key institutional and system-level initiatives include:

- Implementing structural deficit adjustments to achieve a balanced budget at Vermont State University by fiscal year 2027.
- Leveraging insights from the market demand study to develop or expand programs with high growth and workforce impact potential.
- Advancing the online program offerings at Vermont State University by utilizing the expertise of its faculty and infrastructure.
- Collaborating with public and private sector partners to enhance campus vitality by developing business relationships and partnerships that utilize available physical resources by actively seeking out local businesses, government agencies, and nonprofit organizations to form mutually beneficial partnerships that can support both campus initiatives and community needs.
- Completing the expansion of the nursing program and initiating the growth of the dental hygiene program to address Vermont’s urgent need for nurses and dental hygienists which will play a critical role in supporting both the healthcare infrastructure and workforce development in the state.
- Appointing a new president for Vermont State University effective July 1, 2026.
- Deploying the Human Capital Management (HR and Payroll) and Finance modules of Workday in late June 2026, with planning for the Student modules commencing in spring 2026.
- Continuing efforts to establish and sustain a financially viable Vermont State Colleges system.
- Strengthening the relationship between the Community College of Vermont and Vermont State University to further student success, enrollment, and affordability.

VERMONT STATE COLLEGES
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Statements of Net Position
June 30, 2025 and 2024

Assets and Deferred Outflows of Resources

	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash and equivalents (Note 3)	\$ 119,167,550	\$ 112,387,519
Accounts receivable, net (Note 4)	17,450,791	19,476,804
Other current assets	<u>4,914,772</u>	<u>2,258,518</u>
Total Current Assets	<u>141,533,113</u>	<u>134,122,841</u>
Non-Current Assets:		
Cash and equivalents (Note 3)	132,811	668,505
Long-term investments (Note 3)	84,205,079	77,833,335
Notes receivable, net (Note 4)	809,325	827,573
Other assets	19,357	19,470
Capital assets, net (Note 11)	<u>139,293,302</u>	<u>141,273,594</u>
Total Non-Current Assets	<u>224,459,874</u>	<u>220,622,477</u>
Total Assets	<u>365,992,987</u>	<u>354,745,318</u>
Deferred Outflows of Resources:		
Deferred loss on debt refunding (Note 6)	3,362,601	4,403,299
OPEB (Note 10)	<u>24,009,239</u>	<u>31,709,689</u>
Total Deferred Outflows of Resources	<u>27,371,840</u>	<u>36,112,988</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 393,364,827</u>	<u>\$ 390,858,306</u>

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

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Statements of Net Position
June 30, 2025 and 2024

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2025</u>	<u>2024</u>
Current Liabilities:		
Accounts payable and accrued liabilities (Note 12)	\$ 16,740,523	\$ 14,772,725
Unearned revenue and deposits	6,437,925	7,533,405
Current portion of lease liability (Note 5)	2,034,424	1,863,340
Current portion of SBITA Liability (Note 5)	948,733	784,710
Current portion of long-term debt (Note 5)	<u>5,128,510</u>	<u>5,183,510</u>
Total Current Liabilities	<u>31,290,115</u>	<u>30,137,690</u>
Non-Current Liabilities:		
Other liabilities	-	3,451
Refundable grants	-	3,343,558
Post-employment benefit obligations (Note 10)	117,898,513	123,246,472
Lease liability, net of current portion (Note 5)	10,925,759	12,027,003
SBITA liability, net of current portion (Note 5)	989,250	1,237,583
Long-term debt, excluding current portion (Note 5)	<u>83,582,759</u>	<u>88,711,269</u>
Total Non-Current Liabilities	<u>213,396,281</u>	<u>228,569,336</u>
Total Liabilities	<u>244,686,396</u>	<u>258,707,026</u>
Deferred Inflows of Resources:		
OPEB (Note 10)	<u>73,593,537</u>	<u>85,090,403</u>
Net Position:		
Net investment in capital assets	47,370,429	41,889,237
Restricted - nonexpendable	26,932,616	26,305,307
Restricted - expendable	36,835,380	28,932,793
Unrestricted	<u>(36,053,531)</u>	<u>(50,066,460)</u>
Total Net Position	<u>75,084,894</u>	<u>47,060,877</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 393,364,827</u>	<u>\$ 390,858,306</u>

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

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Tuition and fees	\$ 90,100,147	\$ 86,686,041
Residence and dining	14,293,636	15,304,473
Less: scholarship allowances	<u>(22,049,436)</u>	<u>(19,449,954)</u>
Net Tuition, Fees, and Residence and Dining Revenue	82,344,347	82,540,560
Federal grants and contracts	19,003,433	16,485,522
State and local grants and contracts	2,730,152	2,607,042
Non-governmental grants and contracts	1,671,999	1,664,572
Interest income	1,493	21,343
Sales and services of educational activities	9,332,703	6,813,041
Other operating revenues	<u>683,138</u>	<u>2,255,406</u>
Total Operating Revenues	<u>115,767,265</u>	<u>112,387,486</u>
Operating Expenses (Notes 9 and 10):		
Salaries and wages	79,689,152	79,474,060
Employee benefits (Notes 9 and 10)	29,711,110	30,504,629
Scholarships and fellowships	9,789,606	14,467,178
Supplies and other services	41,586,775	42,808,512
Utilities	7,241,831	7,094,838
Depreciation (Note 11)	<u>14,361,975</u>	<u>13,582,166</u>
Total Operating Expenses	<u>182,380,449</u>	<u>187,931,383</u>
Net Operating Loss	<u>(66,613,184)</u>	<u>(75,543,897)</u>
Non-Operating Revenues (Expenses):		
State appropriations (Note 8)	68,296,480	67,701,553
Federal grants and contracts	19,228,497	20,799,193
Gifts	1,648,483	1,677,183
Investment income, net of expenses (Note 3)	8,372,878	7,687,334
Interest expense on capital debt	(4,749,627)	(4,759,415)
Other non-operating revenues	<u>17,593</u>	<u>30,850</u>
Net Non-Operating Revenues	<u>92,814,304</u>	<u>93,136,698</u>
Increase in Net Position Before Other Revenues	26,201,120	17,592,801
Other Revenues:		
State appropriations for capital expenditures (Note 8)	1,500,000	6,500,000
Additions to non-expendable assets	<u>322,897</u>	<u>816,716</u>
Increase in Net Position	28,024,017	24,909,517
Net Position, Beginning of Year	<u>47,060,877</u>	<u>22,151,360</u>
Net Position, End of Year	<u>\$ 75,084,894</u>	<u>\$ 47,060,877</u>

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

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 72,890,483	\$ 68,033,034
Grants and contracts	24,492,155	17,698,867
Sales and services of educational activities	8,840,923	7,066,433
Interest received	1,493	21,343
Payments to suppliers	(53,925,028)	(50,068,924)
Payments to employees	(117,427,410)	(117,368,917)
Collection of loan payments	18,248	(18,066)
Other cash receipts	<u>683,138</u>	<u>2,255,406</u>
Net Cash Applied to Operating Activities	<u>(64,425,998)</u>	<u>(72,380,824)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	68,296,480	67,701,553
Non-operating federal grants	19,228,497	20,799,193
Gifts and grants	<u>1,648,483</u>	<u>1,677,183</u>
Net Cash Provided by Non-Capital Financing Activities	<u>89,173,460</u>	<u>90,177,929</u>
Cash Flows from Capital and Related Financing Activities:		
Capital and non-expendable grants and gifts	322,897	816,716
Capital appropriations	1,500,000	7,500,000
Purchase of capital assets	(9,851,061)	(3,909,298)
Proceeds from sale of capital assets	12,982	5,100
Payments on SBITA arrangements	(1,285,333)	(1,516,528)
Payments on capital debt	(2,272,741)	(2,091,110)
Interest expense on capital debt	(8,948,596)	(7,521,228)
Other receipts	<u>17,593</u>	<u>30,850</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(20,504,259)</u>	<u>(6,685,498)</u>

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

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	\$ 7,345,707	\$ 6,920,578
Purchase of investments	(8,375,876)	(6,704,140)
Investment income	<u>3,031,303</u>	<u>2,224,501</u>
Net Cash Provided by Investing Activities	<u>2,001,134</u>	<u>2,440,939</u>
Net Increase in Cash and Equivalents	6,244,337	13,552,546
Cash and Equivalents, Beginning of Year	<u>113,056,024</u>	<u>99,503,478</u>
Cash and Equivalents, End of Year	<u>\$ 119,300,361</u>	<u>\$ 113,056,024</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (66,613,184)	\$ (75,543,897)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	14,361,975	13,582,166
Bad debts	612,278	1,208,110
OPEB activity	(3,796,416)	2,599,459
Changes in assets and liabilities:		
Accounts receivable	1,413,735	(5,552,877)
Other assets	(2,656,141)	696,906
Notes receivable	18,248	(18,066)
Accounts payable and accrued liabilities	2,023,955	(129,986)
Unearned revenues, deposits and refundable grants	(4,442,489)	1,468,154
Post-employment benefit obligations	<u>(5,347,959)</u>	<u>(10,690,793)</u>
Net Cash Applied to Operating Activities	<u>\$ (64,425,998)</u>	<u>\$ (72,380,824)</u>
Summary of Cash and Equivalents, End of Year:		
Cash and Equivalents (current)	\$ 119,167,550	\$ 112,387,519
Cash and Equivalents (non-current)	<u>132,811</u>	<u>668,505</u>
Cash and Equivalents, End of Year	<u>\$ 119,300,361</u>	<u>\$ 113,056,024</u>
Non-Cash Transactions:		
Unrealized gains	<u>\$ 2,778,256</u>	<u>\$ 2,996,750</u>
Net gain on disposal of capital assets	<u>\$ -</u>	<u>\$ 5,100</u>

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

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to the Financial Statements
June 30, 2025 and 2024**

Note 1 - **Summary of Significant Accounting Policies**

Organization

Vermont State Colleges ("VSC" or the "Colleges") include the following entities: System Office and Services, Community College of Vermont ("CCV"), Vermont State University ("VTSU") and Workforce Development ("WFD").

COVID- 19

In response to the pandemic, the Federal government provided to the College Higher Education Emergency Relief Funds ("HEERF") and funds for the Strengthening Institution Program ("SIP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

The CARES Act also created the Coronavirus Relief Fund ("CRF") and Coronavirus State and Local Fiscal Recovery Funds ("CSL") which was awarded to the State. During the fiscal years ended June 30, 2025 and 2024, the Colleges expended \$1,642,068 and \$6,285,166 and recognized \$1,642,068 and \$6,285,166, respectively, in non-operating Federal grants revenue.

Basis of Presentation

The accounting policies and procedures used by the Colleges in accounting for, and reporting, its financial transactions are based on the accrual method of accounting. The significant accounting policies followed by the Colleges are described below. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB").

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues, expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are reported as general revenue.

The Colleges are considered a special-purpose government under the provisions of GASB Statements No. 34 and 35. The Colleges have determined that they function as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information. The Colleges present the statements of net position, revenues, expenses and changes in net position, and cash flows on a combined College-wide basis.

Vermont State Colleges
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Notes to the Financial Statements - Continued
June 30, 2025 and 2024

The Colleges' policy is to define operating activities in the statements of revenues, expenses and changes in net position as those that generally result from exchange transactions such as charges for services provided to students and for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the Colleges' operating appropriations from the State, net investment income, gifts, certain grants, and interest expense.

Net Position

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following four net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted - nonexpendable: Net position subject to externally imposed conditions or by law that VSC must maintain in perpetuity.

Restricted - expendable: Net position that is subject to externally imposed conditions or by law that can be fulfilled by the actions of the Colleges or by the passage of time.

Unrestricted: Net position that is not subject to externally imposed stipulations or categorized as net investment in capital assets. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

In accordance with VSC's policy pertaining to the expenditure of restricted dollars, unrestricted dollars are spent first, followed by restricted dollars, if appropriate.

Cash and Equivalents

The Colleges consider all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value as of the date of donation. In accordance with the Board's capitalization policy, vehicles, equipment and works of art and historical treasures with a unit cost of at least \$5,000 are capitalized. Land, building, leasehold and infrastructure improvements with a unit cost of \$50,000 or more are capitalized. Software with a unit cost of \$500,000 or more is capitalized. Interest costs on debt related to capital assets were capitalized during the construction period for projects before July 1, 2021. Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed during the construction period.

Vermont State Colleges
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Notes to the Financial Statements - Continued
June 30, 2025 and 2024

The Colleges' capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 50 years. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/ subscription term or useful life of the underlying asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Right of use assets are recorded in these financial statements in accordance with GASB 87 and represent the College's authority (right) to utilize a leased item over the duration of an agreed-upon lease term with another entity or vendor.

The right to use assets, measured at the shorter of the estimated useful life or lease term, within these financials are for buildings and space rental with various vendors.

Restricted - expendable net position includes certain capital funds appropriated by the State of Vermont to the Vermont Department of Buildings and General Services for the benefit of VSC and unexpended as of fiscal year-end.

Investments

Investments are stated at fair value. 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 possible that changes in the values of the investment securities will occur and that such changes could materially affect the amounts reported in the statements of net position.

Other Significant Accounting Policies

The Colleges' employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for those accumulated vacation days allowable in accordance with the applicable union contract in force or in the case of non-union personnel, according to the State or Colleges' policy.

Amounts of vested and accumulated vacation leave are reported as accrued compensation and benefits. Amounts are determined based upon the personal service rates in effect as of the statement of net position date. No liability is recorded for non-vesting accumulating rights to receive vacation benefits.

Refundable Grants

Refundable grants are refundable to the federal government for Federal Perkins and Nursing Student loans.

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. No further extensions were granted for the program as of the date of these financial statements.

Perkins Loan Program Closeout

In accordance with federal requirements, the University completed the liquidation and closeout of the Federal Perkins Loan (Perkins) program during fiscal year 2025. As part of the closeout process, the College returned its federal capital contribution to the U.S. Department of Education (DOE) and assigned any outstanding Perkins loan receivables to DOE. Consequently, the administration and collection of any loans assigned under the program will be solely the responsibility of the DOE.

Vermont State Colleges
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Notes to the Financial Statements - Continued
June 30, 2025 and 2024

The College has no further responsibility or liability related to the Perkins program subsequent to the closeout during fiscal year 2025. There are no Perkins loan balances within the accompanying financial statements for fiscal year 2025.

Unearned Revenue and Deposits

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are reported as unearned revenues.

Student Fees

Student tuition and fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to students, and they are reflected as expenses.

Bond and Note Premiums

Bond and note underwriters' premiums are amortized on the straight-line basis over the life of the respective bond. VSC incurred bond premiums related to the 2017 and 2020 bonds at the time of the issuance of the bonds. The bond premium for the 2017 bond of \$10,557,129 is amortized over 20.5 years. The bond premium for the 2020 bond of \$4,538,755 is amortized over 21.7 years.

Cumulative amortization of the bond premium totaled \$5,389,615 and \$4,651,104 as of June 30, 2025 and 2024, respectively. Cumulative unamortized balances of bond premiums totaled \$9,706,270 and \$10,444,779 as of June 30, 2025 and 2024, respectively. The bond premiums are included in bonds and notes payable.

Post-employment Benefits Other Than Pensions ("OPEB")

GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions* ("GASB 75"), require governments to account for other post-employment benefits ("OPEB"), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the total OPEB liability is to be measured as the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service.

GASB 75 requires that the actuarial present value of projected benefit payments be attributed to the periods of employee services using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay.

Income Taxes

The Internal Revenue Service has determined that the Colleges are a wholly owned instrumentality of the State of Vermont, and as such are generally exempt from federal income tax. However, the Colleges are subject to federal income tax on unrelated business income.

Grants

The Colleges receive financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events.

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These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances.

Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, net position classification, self-funded health insurance accrual, and determining the other post-employment benefits liability.

Future Governmental Accounting Pronouncements Not Implemented

GASB Statement 103 - *Financial Reporting Model Improvements* is effective for reporting periods beginning after June 15, 2025. The objective of this statement is to improve the financial reporting model to enhance decision making by the organization and assessing a government's accountability.

GASB Statement 104 - Disclosure of Certain Capital Assets is effective for fiscal years beginning after June 15, 2025. The objective of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets.

Management has not completed its review of the requirements of these standards and its applicability.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Note 2 - **Implementation of Newly Effective Accounting Standards**

As of July 1, 2024, the University implemented GASB Statement 101 - Compensated Absences. The objective of this statement is to update the recognition and measurement for compensated absences. The adoption of this statement did not have a material impact to the financial statements.

As of July 1, 2024, the University implemented GASB Statement 102 - Certain Risk Disclosures. The objective of this statement is to update the required disclosures for risks that could negatively impact state and local governments. The adoption of this statement did not have a material impact to the financial statements.

Note 3 - **Cash and Equivalents, and Investments**

Cash and Equivalents

Cash and equivalents with maturities of 90 days or less from purchase date are recorded at cost, which approximates market value.

In operating a central treasury and investment pool, individual college cash receipts (except the federal loan funds) are deposited in separate collection deposit accounts in the name of VSC. Disbursements are made from other bank accounts that are funded by transfers from the central treasury. In accordance with the Uniform Prudent Management of Institutional

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Funds Act, VSC deems all realized and unrealized gains on permanently restricted investments to be temporarily restricted if the income is restricted by the donor. Absent donor restrictions, the Board of Trustees has adopted a spending policy whereby 5% of the lesser of the current market value of investments or the average portfolio value over the last three years is allowed to be drawn down and allocated to operations.

Cash and equivalents included with non-current assets are restricted primarily for specific programs or to be used to pay for capital construction projects.

At June 30, 2025, the balance of current assets - cash and equivalents and restricted cash and equivalents, consists of approximately \$7,000 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation ("FDIC") insured banking institutions of approximately \$119,160,500 per the accounting records of the Colleges, and approximately \$120,104,000 per bank records. Of the bank balances, approximately \$842,000 was covered by federal depository insurance and approximately \$119,262,000 was uninsured and uncollateralized at June 30, 2025.

At June 30, 2025, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately \$132,800 per the accounting records of the Colleges, and approximately \$132,800 per bank records. Of the bank balances, approximately \$0 was covered by federal depository insurance and approximately \$132,800 was uninsured and uncollateralized at June 30, 2025.

At June 30, 2024, the balance of current assets - cash and equivalents and restricted cash and equivalents, consists of approximately \$6,400 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation ("FDIC") insured banking institutions of approximately \$112,387,500 per the accounting records of the Colleges, and approximately \$113,304,900 per bank records. Of the bank balances, approximately \$831,600 was covered by federal depository insurance and approximately \$112,473,300 was uninsured and uncollateralized at June 30, 2024.

At June 30, 2024, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately \$668,500 per the accounting records of the Colleges, and approximately \$564,600 per bank records. Of the bank balances, approximately \$0 was covered by federal depository insurance and approximately \$564,600 was uninsured and uncollateralized at June 30, 2024.

Investments

Investments of the various funds at June 30, 2025 are as follows:

	<u>Fair Value</u>	<u>Cost</u>
U.S. Government bonds	\$ 18,179,209	\$ 18,308,582
Corporate bonds	6,398,596	6,181,666
Common stock and ETFs	21,179,976	15,662,535
Mutual funds	13,222,907	11,572,162
Money market	20,547,143	20,547,143
Hedge fund shares	<u>4,677,248</u>	<u>3,691,622</u>
Total Investments	<u>\$ 84,205,079</u>	<u>\$ 75,963,710</u>

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Investments of the various funds at June 30, 2024 are as follows:

	<u>Fair Value</u>	<u>Cost</u>
U.S. Government bonds	\$ 20,305,333	\$ 20,241,518
Corporate bonds	7,401,191	7,387,494
Common stock and ETFs	16,925,605	13,194,083
Mutual funds	11,549,202	10,260,993
Money market	15,762,774	15,762,774
Hedge fund shares	<u>5,889,230</u>	<u>5,736,778</u>
 Total Investments	 <u>\$ 77,833,335</u>	 <u>\$ 72,583,640</u>

Investment maturities include deposits held by the bond trustee, which are invested in various government securities, corporate bonds, commercial grade paper, and money market accounts. The majority of these funds are held in the bond fund, the reserve fund, and the construction fund. Within the bond fund, there is a principal account, an interest account, and a sinking fund account.

<u>2025</u>					
<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money Market Investments	\$ 20,547,143	\$ 20,547,143	\$ -	\$ -	\$ -
Corporate Bonds	6,398,596	1,667,304	4,037,008	694,284	-
U.S. Govt. Bonds	<u>18,179,209</u>	<u>3,944,166</u>	<u>10,011,050</u>	<u>4,223,993</u>	<u>-</u>
Total	<u>45,124,948</u>	<u>\$ 26,158,613</u>	<u>\$ 14,048,058</u>	<u>\$ 4,918,277</u>	<u>\$ -</u>
 <u>Other Investments</u>					
Common Stock, Mutual Fund and Hedge Fund Shares	<u>39,080,131</u>				
Total	<u>\$ 84,205,079</u>				

<u>2024</u>					
<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money Market Investments	\$ 15,762,774	\$ 15,762,774	\$ -	\$ -	\$ -
Corporate Bonds	7,401,191	1,205,431	4,729,823	1,465,937	-
U.S. Govt. Bonds	<u>20,305,333</u>	<u>2,810,741</u>	<u>12,937,882</u>	<u>4,556,710</u>	<u>-</u>
Total	<u>43,469,298</u>	<u>\$ 19,778,946</u>	<u>\$ 17,667,705</u>	<u>\$ 6,022,647</u>	<u>\$ -</u>
 <u>Other Investments</u>					
Common Stock, Mutual Fund and Hedge Fund Shares	<u>34,364,037</u>				
Total	<u>\$ 77,833,335</u>				

Realized gain (loss) is included as a component of investment income. The calculation of realized gains (losses) is independent of the calculation of the net increase (decrease) in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

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June 30, 2025 and 2024

Investment income for the years ended June 30, is as follows:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 4,726,457	\$ 4,655,932
Net realized and unrealized gain	<u>3,905,409</u>	<u>3,270,471</u>
Total investment income	8,631,866	7,926,403
Less: management fees	<u>(258,988)</u>	<u>(239,069)</u>
Investment income, net	<u>\$ 8,372,878</u>	<u>\$ 7,687,334</u>

The risk categories for the bond fund holdings held by VSC at June 30, are as follows:

<u>Investment rating*</u>	<u>2025</u>	<u>2024</u>
AAA	\$ 18,842,896	\$ 20,941,284
AA+	69,426	67,390
AA	333,395	319,927
AA-	456,070	559,098
A+	797,822	962,519
A	1,692,420	1,814,583
A-	1,758,752	2,090,361
BBB+	748,414	1,042,530
BBB	139,639	139,599
Unrated	<u>20,286,114</u>	<u>15,532,007</u>
	<u>\$ 45,124,948</u>	<u>\$ 43,469,298</u>

*These ratings are determined by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All ratings represent the opinions of the research provider and are disclaimed as not representations or guarantees of performance.

The applicable risk ratings as defined by Standard & Poor's are as follows:

AAA - An obligation rated 'AAA' has an extremely strong capacity to meet its financial commitments. It is the highest rating given to an obligor.

AA - An obligation rated 'AA' differs from the highest rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A - An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB - An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB - An obligation rated 'BB' is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

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B - An obligation rated 'B' is more vulnerable to non-payment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC - An obligation rated 'CCC' is currently vulnerable to non-payment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

Plus (+) or minus (-): The ratings from 'AAA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

U.S. Government Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Corporate Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Common Stock and Exchange Traded Funds ("ETF"): Value based on quoted prices in active markets of similar instruments.

Hedge Fund Shares: Hedge fund shares held by the Colleges are closed-end hedge funds that are registered with the SEC. The fair values of the investments in this class have been estimated using the net asset value ("NAV") per share of the investments.

The hedge fund shares held by the Colleges typically have redemption periods under 90 days and are considered redeemable in the near term. Hedge funds shares may at times, not be redeemable subject to the business judgement of the hedge funds board of directors.

Mutual Funds: Valued at daily closing price as reported by the fund. Mutual funds held by the Colleges are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Colleges are deemed to be actively traded.

Money Market: Value based on quoted prices in active markets of similar instruments.

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June 30, 2025 and 2024

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Colleges believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the fair value of the Colleges' assets measured on a recurring basis:

Assets at Fair Value as of June 30, 2025

	Level 1	Level 2	Level 3	Measured at NAV	Total
U.S. Government bonds	\$ 18,179,209	\$ -	\$ -	\$ -	\$ 18,179,209
Corporate bonds	-	6,398,596	-	-	6,398,596
Common stock and ETFs	21,179,976	-	-	-	21,179,976
Mutual funds	13,222,907	-	-	-	13,222,907
Money market	20,547,143	-	-	-	20,547,143
Hedge fund shares	-	873,571	-	3,803,677	4,677,248 *
Total Assets at Fair Value	\$ 73,129,235	\$ 7,272,167	\$ -	\$ 3,803,677	\$ 84,205,079

* As of June 30, 2025, there are no unfunded commitments associated with the Hedge fund shares. Redemption frequencies vary from monthly, to quarterly, to semi-annually depending on the fund. Redemption notice periods also vary, with some funds requiring up to a 95-day notice.

Assets at Fair Value as of June 30, 2024

	Level 1	Level 2	Level 3	Measured at NAV	Total
U.S. Government bonds	\$ 20,305,333	\$ -	\$ -	\$ -	\$ 20,305,333
Corporate bonds	-	7,401,191	-	-	7,401,191
Common stock and ETFs	16,925,605	-	-	-	16,925,605
Mutual funds	11,549,202	-	-	-	11,549,202
Money market	15,762,774	-	-	-	15,762,774
Hedge fund shares	-	2,125,115	-	3,764,115 ^	5,889,230 **
Total Assets at Fair Value	\$ 64,542,914	\$ 9,526,306	\$ -	\$ 3,764,115	\$ 77,833,335

** As of June 30, 2024, there are no unfunded commitments associated with the Hedge fund shares. Redemption frequencies vary from monthly, to quarterly, to semi-annually depending on the fund. Redemption notice periods also vary, with some funds requiring up to a 95-day notice.

^ In order to conform with the current year presentation, \$3,764,115 of Hedge fund share investments related to the prior year were reclassified from a fair value level 2 to that of NAV.

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Note 4 - **Accounts Receivable, Notes Receivable and Allowance for Bad Debts**

The composition of the Colleges' accounts receivable at June 30, is summarized as follows:

	<u>2025</u>	<u>2024</u>
Student accounts receivable	\$ 13,408,287	\$ 13,444,718
Grants receivable	9,435,171	11,111,804
Other receivable	<u>2,025,668</u>	<u>1,805,014</u>
Subtotal	24,869,126	26,361,536
Allowance for doubtful accounts	<u>(7,418,335)</u>	<u>(6,884,732)</u>
Total accounts receivable, net	<u>\$ 17,450,791</u>	<u>\$ 19,476,804</u>

The notes receivable balance in the statements of net position represent the Perkins notes receivable and other pledge receivables. It is shown net of an allowance for bad debts of approximately \$0 and \$4,000 at June 30, 2025 and 2024, respectively.

This allowance is the aggregate that was reserved for each college based upon historical bad loan reserve requirements, the net increase in the allowance of approximately \$534,000 in 2025 and decrease in the allowance of approximately \$1,023,000 in 2024, has been reflected in operating expenses.

Note 5 - **Long-Term Liabilities**

Long-term liabilities consist of the following at June 30, 2025 and 2024:

	<u>2025</u>				
	<u>Beginning balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balances</u>	<u>Current portion</u>
Long-term liabilities					
Bonds and notes payable	\$ 93,894,779	\$ -	\$ 5,183,510	\$ 88,711,269	\$ 5,128,510
Total OPEB obligation	123,246,472	-	5,347,959	117,898,513	-
Lease liability	13,890,343	1,342,581	2,272,741	12,960,183	2,034,424
SBITA liability	2,022,293	1,201,023	1,285,333	1,937,983	948,733
Other liabilities	3,451	-	3,451	-	-
Refundable grants	<u>3,343,558</u>	<u>-</u>	<u>3,343,558</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 236,400,896</u>	<u>\$ 2,543,604</u>	<u>\$ 17,436,552</u>	<u>\$ 221,507,948</u>	<u>\$ 8,111,667</u>
	<u>2024</u>				
	<u>Beginning balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balances</u>	<u>Current portion</u>
Long-term liabilities					
Bonds and notes payable	\$ 97,663,289	\$ -	\$ 3,768,510	\$ 93,894,779	\$ 5,183,510
Total OPEB obligation	133,937,265	-	10,690,793	123,246,472	-
Lease liability	13,436,800	2,544,653	2,091,110	13,890,343	1,863,340
SBITA liability	2,099,111	1,439,710	1,516,528	2,022,293	784,710
Other liabilities	34,839	-	31,388	3,451	-
Refundable grants	<u>3,343,558</u>	<u>-</u>	<u>-</u>	<u>3,343,558</u>	<u>-</u>
Total long-term liabilities	<u>\$ 250,514,862</u>	<u>\$ 3,984,363</u>	<u>\$ 18,098,329</u>	<u>\$ 236,400,896</u>	<u>\$ 7,831,560</u>

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Bonds and Notes Payable

Outstanding debt as of June 30 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Revenue Bonds, Series 2020A:		
3.0% - 5.0% serial bonds aggregating \$18,990,000 maturing 2020 through 2037 and a \$5,195,000 4.0% term bond due October 2040. Interest on the serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of \$3,352,541 and \$3,572,380 has been added to the liability at June 30, 2025 and 2024, respectively. ¹	\$25,992,541	\$27,617,380
Revenue Bonds, Series 2017:		
4.0% - 5.0% serial bonds aggregating \$67,660,000 maturing 2021 through 2037 and Interest on serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of \$6,353,727 and \$6,872,399 has been added to the liability at June 30, 2025 and 2024, respectively. ²	<u>62,718,728</u>	<u>66,277,399</u>
	<u>\$ 88,711,269</u>	<u>\$ 93,894,779</u>

¹ In February 2020, VSC issued Revenue Bonds, Series 2020A, in the principal amount of \$18,990,000 in serial bonds and \$5,195,000 in term bonds. The 2020A Bonds were issued solely for the purpose of refunding the Series 2010B Bond. The Colleges entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. At the time of the issuance, the bond proceeds were put in an irrevocable trust for which the trustee would use the funds to pay off the 2010B Bond at a later date. The refunding decreased the College's total debt service by \$5,409,550 and resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$5,352,091.

² On May 24, 2017, VSC issued the Vermont State Colleges System Bonds 2017 Series A, in the principal amount of \$67,660,000. The 2017 Bond was issued for the purpose of (1) refinancing certain indebtedness of VSC; (2) paying the costs of issuance of the 2017 Series A Bond; and (3) paying the breakage fee for the interest rate swap agreements. The Colleges entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. The refunding increased the Colleges' total debt service by \$15,163,384 and resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$1,051,774.

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Debt Roll-Forward

Long-term debt activity for the years ended June 30, 2025 and 2024 was as follows:

	<u>Balance</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Repayment</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>
Series 2017	\$ 59,405,000	\$ -	\$ (3,040,000)	\$ 56,365,000	\$ 3,195,000
Series 2017 Bond Premium	6,872,397	-	(518,672)	6,353,725	518,672
Series 2017 Bonds	<u>66,277,397</u>	<u>-</u>	<u>(3,558,672)</u>	<u>62,718,725</u>	<u>3,713,672</u>
Series 2020	24,045,000	-	(1,405,000)	22,640,000	1,195,000
Series 2020 Bond Premium	3,572,382	-	(219,838)	3,352,544	219,838
Series 2020 Bonds	<u>27,617,382</u>	<u>-</u>	<u>(1,624,838)</u>	<u>25,992,544</u>	<u>1,414,838</u>
Total Bonds and Notes Payable	<u>\$ 93,894,779</u>	<u>\$ -</u>	<u>\$ (5,183,510)</u>	<u>\$ 88,711,269</u>	<u>\$ 5,128,510</u>

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Repayment</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>Portion</u>
Series 2017	\$ 62,295,000	\$ -	\$ (2,890,000)	\$ 59,405,000	\$ 3,040,000
Series 2017 Bond Premium	7,391,069	-	(518,672)	6,872,397	518,672
Series 2017 Bonds	<u>69,686,069</u>	<u>-</u>	<u>(3,408,672)</u>	<u>66,277,397</u>	<u>3,558,672</u>
Series 2020	24,185,000	-	(140,000)	24,045,000	1,405,000
Series 2020 Bond Premium	3,792,220	-	(219,838)	3,572,382	219,838
Series 2020 Bonds	<u>27,977,220</u>	<u>-</u>	<u>(359,838)</u>	<u>27,617,382</u>	<u>1,624,838</u>
Total Bonds and Notes Payable	<u>\$ 97,663,289</u>	<u>\$ -</u>	<u>\$ (3,768,510)</u>	<u>\$ 93,894,779</u>	<u>\$ 5,183,510</u>

Maturities of long-term debt for the next five fiscal years and thereafter are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>
2026	\$ 4,390,000	\$ 3,337,250
2027	4,610,000	3,109,500
2028	4,850,000	2,870,500
2029	4,840,000	2,619,000
2030	5,085,000	2,367,500
2031-2035	29,340,000	7,880,200
2035-2040	24,090,000	1,961,700
2041-2043	<u>1,800,000</u>	<u>72,000</u>
	<u>\$ 79,005,000</u>	<u>\$ 24,217,650</u>

Deferred loss on debt refunding is included in interest expense.

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According to the terms of the agreements under which the revenue bonds were sold, the bonds are general obligations of VSC.

Note 5A - **Lease Liability**

The Colleges are a lessee of multiple long-term leases for buildings and office space from various vendors. Significant lease terms are described below:

Description	Commencement Date for GASB 87	Lease Term at GASB 87 Commencement (months)	Payment Amount	Rate Type	Interest Rate	Lease	Lease
						Liability 6/30/25	Liability 6/30/24
Stonecutter's Way Lease (OC)	7/1/2020	85	Varies	IBR	4.75%	\$ 192,944	\$ 279,003
Rutland Lease (CCV)	7/1/2020	169	Varies	IBR	4.75%	8,235,856	8,817,877
Morrisville Lease (CCV)	7/1/2020	38	Varies	IBR	4.75%	85,488	152,899
Middlebury Lease (CCV)	7/1/2020	50	Varies	IBR	4.75%	-	18,608
Newport Lease (CCV)	7/1/2020	48	Varies	IBR	4.75%	292,154	423,817
Bennington Lease (CCV)	7/1/2020	48	Varies	IBR	4.75%	144,563	279,597
Lyndonville Lease (NVU)	7/1/2020	82	Varies	IBR	4.75%	67,294	101,609
Butternut Ledge Lease (CU)	7/1/2020	73	Varies	IBR	4.75%	125,930	236,605
St. Albans Lease (CCV)	11/1/2020	180	Varies	IBR	4.75%	1,731,595	1,832,950
Killington lease (CU)	11/30/2021	68	Varies	IBR	4.75%	102,032	148,014
Tech Vault Lease (OC)	5/1/2023	60	Varies	IBR	4.75%	212,948	281,532
Foley Hall Lease (CU) - Extended	7/31/2023	37	Varies	IBR	4.75%	247,899	454,167
Randolph Lease (VTC) - Extended	7/31/2023	36	Varies	IBR	10.00%	-	158,743
Brattleboro Lease (CCV & VTC) - Extended	6/30/2024	48	Varies	IBR	Various	1,180,412	704,922
Bennington Lease (VTC)	7/1/2024	60	Varies	IBR	10.00%	281,804	-
Vermont Community Foundation (CCV)	8/1/2024	36	Varies	IBR	5.36%	59,264	-
						<u>\$ 12,960,183</u>	<u>\$ 13,890,343</u>

Interest Expense and Net Remaining Right of Use Assets

Lease interest expense for the years ended June 30, 2025 and 2024 was \$755,206 and \$663,061, respectively. The amortization of the right of use assets are amortized on a straight-line basis over the lease term for each lease. The remaining unamortized right of use asset related to lease obligations was \$11,228,557 and \$12,444,480 at June 30, 2025 and 2024, respectively.

There were no other payments made other than the payments used in the calculation of the lease liability for the years ended June 30, 2025 and 2024. A number of the leases also include options to renew at various times based on the Colleges' choice to continue the lease. There are no leases in which management believes that it is certain that the Colleges will exercise the renewal options.

Future Lease Payments

Lease payments due subsequent to June 30, 2025 are as follows:

Years Ending June 30,	Principal Amount	Interest Amount
2026	\$ 2,038,389	\$ 641,033
2027	1,639,014	528,528
2028	1,348,050	438,820
2029	1,376,600	353,414
2030	1,061,649	284,437
2031-2035	<u>5,496,481</u>	<u>588,738</u>
	<u>\$ 12,960,183</u>	<u>\$ 2,834,970</u>

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Note 5B - **Subscription-Based Information Technology Arrangements**

The Colleges have entered into subscription-based information technology arrangements (SBITAs) involving its financial managements software and document management software.

Description	Commencement Date for GASB 96	Lease Term at GASB 96 Commencement (months)	Payment Amount	Rate Type	Interest Rate	Lease	Lease
						Liability 6/30/25	Liability 6/30/24
Touchnet	7/1/2021	78	Varies	IBR	4.75%	\$ 379,815	\$ 556,637
Ad Astra	9/1/2022	36	Varies	IBR	4.75%	-	152,592
Tech Solutions (VTSU)	7/1/2023	36	Varies	IBR	10.00%	46,416	88,432
LinkedIn	1/1/2024	24	Varies	IBR	10.00%	32,982	61,222
Microsoft Unified Enterprise Support	6/15/2024	37	Varies	IBR	10.00%	50,427	91,818
Instructure (Canvas)	6/30/2024	37	Varies	IBR	10.00%	538,243	820,025
Tech Solutions (CCV)	6/30/2024	49	Varies	IBR	10.00%	189,699	251,567
Trace3	9/26/2024	37	Varies	IBR	5.56%	146,827	-
Rapid7	10/1/2024	36	Varies	IBR	5.56%	180,191	-
Avisio (OC)	11/1/2024	36	Varies	IBR	5.56%	61,646	-
Zoom - Presidio	4/7/2025	37	Varies	IBR	5.56%	194,702	-
Yuja	5/1/2025	36	Varies	IBR	5.56%	61,320	-
Avisio (Randolph)	5/12/2025	37	Varies	IBR	5.56%	55,715	-
						<u>\$ 1,937,983</u>	<u>\$ 2,022,293</u>

At June 30, 2025, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$4,368,740 and \$2,009,457, respectively. At June 30, 2024, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$3,122,718 and \$927,133, respectively.

Annual requirements to amortize the SBITA liability and related interest subsequent to June 30, 2025 are as follows:

Years Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 948,733	\$ 147,352	\$ 1,096,085
2027	919,626	78,435	998,061
2028	<u>69,624</u>	<u>5,376</u>	<u>75,000</u>
	<u>\$ 1,937,983</u>	<u>\$ 231,163</u>	<u>\$ 2,169,146</u>

Note 6 - **Deferred Outflows of Resources - Debt Refunding**

During 2017, VSC paid a breakage fee of \$10,931,885 to discontinue all of its interest rate swap agreements. The breakage fee is recorded on the statements of net position as a "deferred loss on debt refunding" and is amortized over the life of the old debt it was associated with and is included with interest expense. The amortization of the breakage fee that was included in interest expense was \$1,003,345 for the years ended June 30, 2025 and 2024. The unamortized balance of the breakage fee was \$2,800,607 and \$3,803,953 for years ended June 30, 2025 and 2024, respectively.

During 2020, VSC issued the 2020A Series Bond which was an advanced refunding of the 2010B Bond. As stated in the advanced refunding agreement, the proceeds from the issuance of the 2020A Bond was to be placed in an irrevocable trust and will be used to pay off the 2010B Bond.

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The difference between the amount in placed in escrow to pay off the 2010B Bond and the net carrying amount of the 2010 Bond was \$764,156 and is recognized as a "deferred loss on debt refunding" and is amortized over the life of the old debt it was associated with and is included with interest expense. The amortization of this advanced debt refunding that was included in interest expense was \$37,581 for the years ending June 30, 2025 and 2024. The unamortized balance of the advanced debt refunding was \$561,994 and \$599,346 for years ended June 30, 2025 and 2024, respectively.

Note 7 - **Functional Expense Classification**

The following table details VSC's operating expenses by functional expense classification as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Instructions	\$ 53,227,907	\$ 55,611,293
Research	2,361,643	1,479,415
Public Service	13,431,834	12,338,789
Academic Support	20,789,927	20,709,126
Student Services	33,841,928	37,157,268
Institution Support	22,760,500	22,023,284
Physical Plant	13,172,373	11,972,224
Depreciation	14,361,975	13,057,818
Student Financial Support	8,432,362	13,582,166
	<u>\$ 182,380,449</u>	<u>\$ 187,931,383</u>

Note 8 - **Appropriations**

VSC's operating appropriation from the State of Vermont is made directly to the Colleges and is drawn down on the basis of a monthly allotment. In addition to their operating appropriation, the Colleges received an additional \$4,000,000 for the Transformation Project, \$567,568 designated for the Next Generation ("HETF"), \$1,000,000 for Tuition Reduction, and \$10,000,000 for Bridge Funding. Also included in the annual State appropriation for operations is funding for Allied Health of approximately \$1,788,000 and \$1,774,000 in fiscal years 2025 and 2024, respectively; and funding for the Vermont Manufacturing Extension center of approximately \$428,000 in fiscal years 2025 and 2024. Capital appropriations for VSC made from the State Bond Funds were approximately \$1,500,000 and \$6,500,000 for fiscal years 2025 and 2024, respectively.

Note 9 - **Retirement Plans**

Eligible faculty and staff participate in a defined contribution retirement plan administered by Teachers Insurance Annuity Association and College Retirement Equities Fund ("TIAA-CREF"). For the years ended June 30, 2025 and 2024, the Colleges' total payroll expense was approximately \$79,689,000 and \$79,474,000, respectively, of which approximately \$54,566,000 and \$53,407,000, respectively, represented salaries and wages of employees covered under the defined contribution plan.

The Colleges' requirements to contribute to the retirement plan are specified by four collective bargaining agreements and by personnel policies for non-represented employees. Employer contribution rates are established by employee category.

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There are no required employee contributions to the plan. Depending upon the position category, employees may be eligible for the plan from as early as date of hire to as long as two years from date of hire.

All eligible employees are vested from the date of eligibility. During the years ended June 30, 2025 and 2024, contributions made by the Colleges under this plan totaled approximately \$4,821,000 and \$4,918,000, or approximately 8.83% and 9.21%, respectively, of covered salaries. The defined contribution plan is not a fiduciary activity since the Colleges do not hold the assets nor have the ability to direct the use, exchange or deployment of the assets.

Additionally, certain employees participate in one of two defined benefit plans (Vermont Employees Retirement System or Vermont State Teachers Retirement System). Employees who were participants in either of these plans prior to their employment by the Colleges are allowed to continue participation. During the years ended June 30, 2025 and 2024, there were no covered salaries for employees participating in the Vermont Employees Retirement System and there were no employer contributions. There were no contributions to the Vermont State Teachers Retirement System during 2025 and 2024.

In addition, full-time faculty employees who have worked for the Colleges for 15 years may elect early retirement at age 58 and receive 50% of their annual salary as of their retirement date. In addition, VSC will pay 12% of the retiree's early retirement wages to the individual. This 12% payment represents VSC's contribution, which would have been made to the individual TIAA/CREF pension account. The payments due under this program are funded by VSC, as needed. During the years ended June 30, 2025 and 2024, contributions for these benefits were approximately \$202,000 and \$357,000, respectively.

The early retirement benefit is no longer being offered to faculty employees hired after February 10, 2005, but those employees who were eligible for early retirement before the benefit was discontinued have the option of electing for early retirement in October of every year. The benefit will be completely phased out when those employees currently eligible for early retirement either elect for early retirement or reach the age of 65.

Note 10 - **Post-Employment Benefits Other Than Pension**

Plan Description: VSC administers a self-insured single-employer defined benefit healthcare plan. The plan provides 100% of the lifetime healthcare payments for eligible employees, spouses or civil union partners. The self-insured plan, administered by CIGNA, covers both active and retired members. Benefit provisions are established through negotiations between VSC and the unions representing VSC employees, and they are reviewed during the bargaining period prior to the termination date of each union contract.

The retiree healthcare plan does not issue a publicly available financial report. Employees hired after October 1, 2012 (fulltime faculty after October 1, 2015) are ineligible for retiree medical and dental benefits. The type of employees that were covered by the benefits terms at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Retirees and Beneficiaries	824	824
Inactive, non-retired members	-	-
Active plan members	<u>759</u>	<u>759</u>
Total plan members	<u>1,583</u>	<u>1,583</u>

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Funding Policy: Contribution requirements are also negotiated between VSC and union representatives. VSC contributes 100% of the current-year utilization costs for eligible employees, spouses or civil union partners.

For the fiscal years 2025 and 2024, VSC recognized employer contributions of \$6,393,979 and \$6,706,148, respectively, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis. In fiscal years 2025 and 2024, there were minimal member contributions to the plan from new retirees hired before July 1, 2000. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Annual OPEB Cost and Total OPEB Obligation: VSC's OPEB cost (expense) includes most changes in the total OPEB liability. The effects of changes, such as service costs and interest on the total OPEB liability, must be reported in the current reporting period as an OPEB expense. The effects of changes, such as the change in actuarial assumptions and differences between expected and actual experiences, are required to be included in OPEB expense over the current and future periods. Such changes must be amortized in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan beginning in the current period.

At June 30, 2025 and 2024, VSC reported a total OPEB liability of \$117,898,513 and \$123,246,472, respectively. The total OPEB liability as of June 30, 2025, the reporting date, was measured as of June 30, 2024, the measurement date, and the actuarial valuation date of July 1, 2023. The total OPEB liability as of June 30, 2024, the reporting date, was measured as of June 30, 2023, the measurement date, and the total OPEB liability was determined by an actuarial valuation date as of July 1, 2021.

The following table shows the components of VSC's annual OPEB costs for the years ended June 30, 2025 and 2024, and the changes in VSC's total OPEB obligation to the retiree healthcare plan are as follows:

	<u>2025</u>	<u>2024</u>
Interest on total OPEB obligation	\$ 4,376,109	\$ 4,625,516
Service Cost	935,465	1,575,203
Amortization of current year for difference between expected and actual experience	<u>(130,715)</u>	<u>(112,936)</u>
Annual OPEB cost	5,180,859	6,087,783
Difference between expected and actual experience to be recognized in future years	130,715	112,936
Difference between changes in plan actuarial assumptions to be recognized in future years	(3,805,741)	(19,545,728)
Difference between expected and actual mortality table of the Total OPEB liability	-	5,782,201
Difference between expected and actual experience of the Total OPEB liability	(147,644)	3,417,950
Benefit payments	<u>(6,706,148)</u>	<u>(6,545,935)</u>
Increase in total OPEB obligation	(5,347,959)	(10,690,793)
Total OPEB obligation - Beginning of Year	<u>123,246,472</u>	<u>133,937,265</u>
Total OPEB obligation - End of Year	\$ <u>117,898,513</u>	\$ <u>123,246,472</u>

Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to the Financial Statements - Continued
June 30, 2025 and 2024

Deferred Outflows of Resources related to OPEB:

VSC reported deferred outflows of resources related to OPEB from the following sources for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
<u>Deferred Outflows of Resources</u>		
Differences between projected and actual experience	\$ 5,003,217	\$ 6,721,477
Changes in plan actual assumptions	12,612,043	18,282,063
Contributions subsequent to the measurement date	<u>6,393,979</u>	<u>6,706,149</u>
Total	<u>\$ 24,009,239</u>	<u>\$ 31,709,689</u>

Deferred Inflows of Resources related to OPEB:

VSC reported deferred inflows of resources related to OPEB from the following sources for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
<u>Deferred Outflows of Resources</u>		
Differences between projected and actual experience	\$ 7,524,154	\$ 9,225,485
Changes in plan actual assumptions	<u>66,069,383</u>	<u>75,864,918</u>
Total	<u>\$ 73,593,537</u>	<u>\$ 85,090,403</u>

VSC's contributions of \$6,393,979 and \$6,706,148 made during fiscal years ending 2025 and 2024, respectively, subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the succeeding year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending June 30,	
2026	\$ (8,029,811)
2027	(8,304,542)
2028	(13,071,064)
2029	(14,353,884)
2030	(9,021,026)
2031 and after	<u>(3,197,950)</u>
	<u>\$ (55,978,277)</u>

Vermont State Colleges
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Notes to the Financial Statements - Continued
June 30, 2025 and 2024

Actuarial Assumptions: The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>2025</u>	<u>2024</u>
Measurement date	June 30, 2024	June 30, 2023
Inflation	2.25%	2.25%
Salary Increases	3.5% per year	3.5% per year
Discount Rate	3.93%	3.65%
Healthcare Cost Trend Rate	5.8%, then decreasing incrementally to an ultimate rate of 3.6% in 2060	5.7%, then decreasing incrementally to an ultimate rate of 3.6% in 2060

The discount rate was based on the Bond Buyer 20-Bond GO Index.

Future Employment: Age-related turnover rates were developed based on the experience from July 1, 2017 to July 1, 2020. These rates were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid. Employees less than 40 had an annual turnover rate of 8.5%, which was the same rate used in the prior measurement date. Employees less than 65 had an annual turnover rate of 3.5%, which was the same rate used in the prior measurement date.

Mortality: Life expectancies were based on the RP-2006 Table (base rates underlying RP-2014) projected to 2017 and thereafter, with MP-2021 projection scale which is published by the Retirement Plans Experience Committee of the Society of Actuaries. In the prior measurement date, the same rate was used.

Retirement Rate: Age-related retirement rates tables were developed based on input and analysis of the current retiree population overall and the new retirees over the last five years. The age related tables assumed rates of retirement beginning at age 55.

Marital Status: Marital status of member at the calculation date was assumed to be 70% married based on current retiree population. Spousal participation was assumed to be 90% at the calculation date.

Healthcare Cost Trend Rate: Dental claims are expected to increase at 2.0 per annum. Medical trend rates are based on the Society of Actuaries (“SOA”) Long-Run Medical Cost Trend Model.

Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to the Financial Statements - Continued
June 30, 2025 and 2024

Sensitivity of the Colleges' proportionate share of the total OPEB liability to changes in the discount rate: The following presents the Colleges' proportionate share of the total OPEB liability, as well as what the Colleges' proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

1.00% Decrease 2.93%	2025 Current Discount Rate 3.93%	1.00% Increase 4.93%
\$ 132,544,815	\$ 117,898,513	\$ 105,842,236
1.00% Decrease 2.65%	2024 Current Discount Rate 3.65%	1.00% Increase 4.65%
\$ 139,146,639	\$ 123,246,472	\$ 110,174,507

Sensitivity of the Colleges' proportionate share of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the Colleges' proportionate share of the total OPEB liability, as well as what the Colleges' proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1.00% Decrease	2025 Current Healthcare Cost Trend Rate	1.00% Increase
\$ 105,019,508	\$ 117,898,513	\$ 133,532,287
1.00% Decrease	2024 Current Healthcare Cost Trend Rate	1.00% Increase
\$ 110,340,666	\$ 123,246,472	\$ 138,945,805

Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to the Financial Statements - Continued
June 30, 2025 and 2024

Note 11 - **Capital Assets**

Property and equipment activity for the years ended June 30, 2025 and 2024 is summarized below:

	<u>Balance</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2025</u>
Land	\$ 8,436,048	\$ -	\$ -	\$ -	\$ 8,436,048
Construction-in-process	<u>2,579,627</u>	<u>7,927,535</u>	<u>(3,492,781)</u>	-	<u>7,014,381</u>
Subtotal - Capital assets not depreciated	<u>11,015,675</u>	<u>7,927,535</u>	<u>(3,492,781)</u>	-	<u>15,450,429</u>
Infrastructure	44,764,435	-	200,025	-	44,964,460
Buildings and improvements	266,688,764	598,984	1,647,563	-	268,935,311
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	44,856,419	1,342,192	1,645,193	(65,312)	47,778,492
Software arrangements	3,122,718	1,246,023	-	-	4,368,741
Leased buildings	<u>19,931,075</u>	<u>1,342,581</u>	-	<u>(1,494,013)</u>	<u>19,779,643</u>
Subtotal - Capital assets depreciated	<u>383,453,682</u>	<u>4,529,780</u>	<u>3,492,781</u>	<u>(1,559,325)</u>	<u>389,916,918</u>
Less accumulated depreciation					
Capital assets	(244,782,035)	(10,783,796)	-	52,330	(255,513,501)
SBITA arrangement	(927,133)	(1,082,325)	-	-	(2,009,458)
Right of use assets	<u>(7,486,595)</u>	<u>(2,495,854)</u>	-	<u>1,431,363</u>	<u>(8,551,086)</u>
Capital assets, net	<u>\$ 141,273,594</u>	<u>\$ (1,904,660)</u>	<u>\$ -</u>	<u>\$ (75,632)</u>	<u>\$ 139,293,302</u>

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>
Land	\$ 8,436,048	\$ -	\$ -	\$ -	\$ 8,436,048
Construction-in-process	<u>3,491,980</u>	<u>2,306,919</u>	<u>(3,219,272)</u>	-	<u>2,579,627</u>
Subtotal - Capital assets not depreciated	<u>11,928,028</u>	<u>2,306,919</u>	<u>(3,219,272)</u>	-	<u>11,015,675</u>
Infrastructure	43,051,021	1,009,160	704,254	-	44,764,435
Buildings and improvements	264,597,599	-	2,091,165	-	266,688,764
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	43,654,858	831,310	423,853	(53,602)	44,856,419
Software arrangements	4,627,978	1,439,710	-	(2,944,970)	3,122,718
Leased buildings	<u>19,321,024</u>	<u>2,306,561</u>	-	<u>(1,696,510)</u>	<u>19,931,075</u>
Subtotal - Capital assets depreciated	<u>379,342,751</u>	<u>5,586,741</u>	<u>3,219,272</u>	<u>(4,695,082)</u>	<u>383,453,682</u>
Less accumulated depreciation					
Capital assets	(234,760,122)	(10,070,416)	-	48,503	(244,782,035)
SBITA arrangement	(2,482,588)	(1,389,515)	-	2,944,970	(927,133)
Right of use assets	<u>(7,060,870)</u>	<u>(2,122,235)</u>	-	<u>1,696,510</u>	<u>(7,486,595)</u>
Capital assets, net	<u>\$ 146,967,199</u>	<u>\$ (5,688,506)</u>	<u>\$ -</u>	<u>\$ (5,099)</u>	<u>\$ 141,273,594</u>

Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to the Financial Statements - Continued
June 30, 2025 and 2024

Note 12 - **Contingencies and Commitments**

Contingencies

VSC 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 that may be disallowed by the granting agency cannot be determined at this time.

VSC is also 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. VSC manages these risks through a combination of commercial insurance packages purchased in the name of VSC, and through self-insurance for medical and dental claims. VSC has entered into contracts with a third-party claims administrator, which essentially caps medical claim costs (stop-loss) at an agreed-upon level. Individual stop-loss is \$200,000 of paid claims per covered member per year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Reserves for medical and dental claims are included in accrued liabilities in the amount of approximately \$2,356,000 at June 30, 2025 and \$2,020,000 at June 30, 2024 and are based on historical data. A medical and dental claim roll forward is presented below:

	<u>2025</u>	<u>2024</u>
Medical and dental claims reserve, beginning of year	\$ 2,356,000	\$ 2,020,000
Incurred claims	20,918,000	23,579,000
Payments on claims	<u>(22,004,000)</u>	<u>(23,243,000)</u>
Medical and dental claims reserve, end of year	<u>\$ 1,270,000</u>	<u>\$ 2,356,000</u>

VSC self-insures its workers' compensation program and is operated by a third-party claims administrator. Contributions to the plan are based on estimated payroll and rates adjusted by an experience modification factor. VSC has purchased stop-loss insurance, which is effective for individual claims over \$200,000 and for aggregate claims in excess of \$1,477,000 per year. VSC has obtained a letter of credit in the amount of \$600,000 to be used in the event of failure to pay premiums on the stop-loss policy. This is collateralized by a certificate of deposit. A workers' compensation roll-forward is presented below:

	<u>2025</u>	<u>2024</u>
Workers' compensation reserve, beginning of year	\$ 214,000	\$ 358,000
Workers' compensation accrued during the year	380,000	515,000
Claims paid/reserved/claims administration	<u>(530,000)</u>	<u>(659,000)</u>
Workers' compensation reserve, end of year	<u>\$ 64,000</u>	<u>\$ 214,000</u>

Employment Contracts

The Colleges have employment contracts with certain officers that expire on various dates through fiscal year 2025. The agreements provide for aggregate annual base salaries of \$379,000 in fiscal year 2025, and may be terminated with cause at any time.

Public-Private Partnership

The Colleges entered into a public-private partnership with Sodexo Operations, LLC ("Sodexo") to manage and operate its food services for VSC's students, faculty, staff, employees and guests through June 2023; the partnership was cancelable by either party at any time. Under the partnership, Sodexo made annual contributions to VSC to be used at VSC's discretion for food service facility enhancements.

Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to the Financial Statements - Continued
June 30, 2025 and 2024

In March 2020, with the commencement of the pandemic, VSC exercised its right to the catastrophe clause of its existing contract with Sodexo. In August 2020, VSC entered into a new public-private partnership with Sodexo continuing through August 2025. The new public-private partnership will not require annual contributions.

State Appropriations

As disclosed in Note 1, the College is a public, State-supported, comprehensive four-year university, located in Vermont, and governed by a local Board of Trustees under the direction of the Vermont Department of Higher Education. As such, the College receives appropriations for a portion of its operating costs including but not limited to employee salaries, fringe benefits, and capital improvements reported on the statements of revenues, expenses and changes in net position of these financial statements.

Student Financial Assistance

The College participates in the Federal financial assistance (Title IV) and the Vermont student financial assistance programs. These programs allow for grants, aid, and awards to be issued to students to cover qualified education costs. During the years ended June 30, 2025 and 2024, Federal and Vermont aid awarded to students totaled \$46,754,222 and \$42,488,712, respectively.

Workforce Covered by Collective Bargaining Agreements

The college is comprised of State Employees hired and employed by the state of Vermont. The Vermont Board of Higher Education negotiates collective bargaining agreements (CBA) with the majority of university employees. During the fiscal years ended June 30, 2025 and 2024, the College employed individuals belonging to the following unions:

Union Name	Union Code	Period
Vermont State Colleges Faculty Federation	AFT Vermont, Local 3180, AFL- CIO	July 1, 2024- August 31, 2027
Vermont State Colleges United Professions Professional, Administrative and Technical Unit	AFT Vermont, Local 6217, AFL-CIO	July 1, 2024- June 30, 2028
Vermont State Colleges Professionals Supervisory Unit	AFT Vermont, Local 6217, AFL-CIO	July 1, 2024- June 30, 2028
CCV United Faculty	VSCFF 3180, AFT Vermont, AFL-CIO	September 1, 2021 - August 31, 2025
Vermont State Colleges Part-Time Faculty Federation	United Professions of Vermont- AFT, Local 3180	September 1, 2025 - August 31, 2029
NVU Online United Faculty	VSCFF 3180, AFT Vermont, AFL-CIO	August 4, 2021 - August 31, 2024

As of June 30, 2025, negotiations between the Board of Higher Education and NVU Online United Faculty are in the process of constructing and obtaining an updated CBA. As of the date of this report, negotiations are still under way for an updated contract with the NVU Online United Faculty.

Note 13 - **Subsequent Events**

The Colleges have evaluated subsequent events through October 30, 2025, the date for which the financial statements were available for issuance. Based on that evaluation, the Colleges have determined that no events subsequent to June 30, 2025 have occurred that require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Schedule of Changes in Total OPEB Liability (Unaudited)

Year ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Valuation date	July 1, 2024	July 1, 2023	July 1, 2022	July 1, 2021	July 1, 2019	July 1, 2019	July 1, 2017
Total OPEB liability							
Service Cost	\$ 935,465	\$ 1,575,203	\$ 2,229,613	\$ 5,231,085	\$ 3,672,170	\$ 4,532,612	\$ 4,515,546
Interest	4,376,109	4,625,516	3,396,003	5,179,166	6,671,317	7,194,823	6,647,387
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(147,644)	3,417,951	231,296	(12,898,213)	-	263,532	(1,778,447)
Changes of assumptions or other inputs	(3,805,741)	(13,763,527)	(25,629,673)	(67,475,590)	40,500,432	(755,342)	(2,480,058)
Benefit payments	<u>(6,706,148)</u>	<u>(6,545,935)</u>	<u>(7,024,702)</u>	<u>(7,306,213)</u>	<u>(6,896,981)</u>	<u>(6,181,621)</u>	<u>(6,399,026)</u>
Net change in total OPEB liability	(5,347,959)	(10,690,792)	(26,797,463)	(77,269,765)	43,946,938	5,054,004	505,402
Total OPEB liability - beginning	<u>123,246,472</u>	<u>133,937,264</u>	<u>160,734,727</u>	<u>238,004,492</u>	<u>194,057,554</u>	<u>189,003,550</u>	<u>188,498,148</u>
Total OPEB liability - end	<u>\$ 117,898,513</u>	<u>\$ 123,246,472</u>	<u>\$ 133,937,264</u>	<u>\$ 160,734,727</u>	<u>\$ 238,004,492</u>	<u>\$ 194,057,554</u>	<u>\$ 189,003,550</u>
Covered payroll	51,641,316	51,641,316	51,296,724	51,296,724	50,942,334	49,219,646	50,074,973
Total OPEB liability as a percentage of covered-employee payroll	228.30%	238.66%	261.10%	313.34%	467.20%	394.27%	377.44%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide for the most recent ten years.

See accompanying notes to the required supplementary information.

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Schedule of Multi-Year Contributions (Unaudited)

Year ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Valuation date	July 1, 2024	July 1, 2023	July 1, 2022	July 1, 2021	July 1, 2019	July 1, 2019	July 1, 2017
Actuarially determined contributions	\$ 7,658,563	\$ 7,763,065	\$ 8,894,092	\$ 9,565,257	\$ 16,167,269	\$ 14,223,337	\$ 15,290,840
Employer contributions	6,393,979	6,706,148	6,545,935	7,024,702	7,306,213	6,896,981	6,181,621
Contribution deficiency (excess)	1,264,584	1,056,918	2,348,157	2,540,555	8,861,056	7,326,356	9,109,219
Covered payroll	51,641,316	51,641,316	51,296,724	51,296,724	50,942,334	49,219,646	50,074,973
Actual Contributions as a % of Covered Valuation Payroll	12.38%	12.99%	12.76%	13.69%	14.34%	14.01%	12.34%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to the Required Supplementary Information - OPEB (Unaudited)
June 30, 2025 and 2024

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2024

Change in Discount Rate

The discount rate increased from 3.65% to 3.93%.

Measurement date – June 30, 2023

Change in Discount Rate

The discount rate increased from 3.54% to 3.65%.

Mortality Rates

Updated using the most recent Getzen Model (v. 2024-1b) and adjustment for the impact of the Inflation Reduction Act (IRA).

Per Capita Claims Costs

Updated based on MAPD premium rates and the most recently available health care claims and fixed cost data for early retiree.

Dental Rates

Increased from 2.0% to 2.5%. The change was made based on increasing retiree dental claims over the last 3 years.

Measurement date – June 30, 2022

Change in Discount Rate

The discount rate increased from 2.16% to 3.54%.

Measurement date – June 30, 2021

Change in Discount Rate

The discount rate decreased from 2.21% to 2.16%.

Mortality Rates

Mortality rates used general scale MP-2021 for males and females. In the prior measurement date, general scale MP-2019 was used.

Health Care Cost Trend

Updated to use the most recent Getzen Model (v, 2021-f4).

Employee Retirement Rates

The valuation retirement rates have been updated as of 7/1/2021 to reflect the overall trend towards later retirement ages, with some exceptions in the 60-64 age range which experienced higher retirement rates.

Participation Rates

Review of reports shows a decrease in the percentage of retirees who elect to receive health care benefits in retirement, has decreased from 95% to 90%.

Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to the Required Supplementary Information - OPEB (Unaudited)- Continued
June 30, 2025 and 2024

Measurement date – June 30, 2020

Change in Discount Rate

The discount rate was decreased from 3.50% to 2.21%.

Measurement date – June 30, 2019

Change in Discount Rate

The discount rate was decreased from 3.87% to 3.5%.

Employee Turnover

Employees less than 40 had an annual turnover rate of 8.5%, an increase from the 7.5% rate used in the prior measurement date. Employees less than 65 had an annual turnover rate of 3.5%, an increase from the 2.5% used in the prior measurement date.

Mortality Rates

Mortality rates used general scale MP-2019 for males and females. In the prior measurement date, general scale MP-2017 was used.

Change in Trend on Future Costs

The healthcare trend rate decreased from 5.4% to 4.7%. The medical trend was developed using the SOA Getzen Model and noted the following economic assumptions that changed from the prior measurement date:

- Rate of Inflation was 2.5% which was decreased from 2.6%
- Rate of Growth in Real Income/GDP per capital was 1.25% which was an increase from 1.15%
- Health share of GDP resistance point was 25% which was an increase from 20%
- Year for limiting cost growth to GDP was 2050. 200 was used in the prior measurement date.

Measurement date – June 30, 2018

Change in Trend on Future Costs

The healthcare trend rate decreased from 5.5% to 5.4%.

Change in Discount Rate

The discount rate was increased from 3.58% to 3.87%.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Vermont State Colleges:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), which comprise the statement of net position as of June 30, 2025, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements and have issued our report thereon dated October 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Colleges' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness of the Colleges' internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Colleges' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WithumSmith+Brown, PC

October 30, 2025

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Single Audit Report
June 30, 2025

Vermont State Colleges
(a Component Unit of the State of Vermont)
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June 30, 2025

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
Vermont State Colleges:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Vermont State Colleges' (a Component unit of the State of Vermont) (the "Colleges") compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2025. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Colleges' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Colleges and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Colleges' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Colleges' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Colleges' compliance based on our audit.

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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Colleges' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Colleges' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Colleges' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Colleges' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying schedule of findings and questioned costs as Finding 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Colleges' response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Colleges are also responsible for preparing a corrective action plan to address the audit finding included in the auditor's report. The Colleges' response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or corrective action plan.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of the Colleges, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements. We issued our report thereon dated October 30, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

March 2, 2026

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Vermont State Colleges:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vermont State Colleges (a Component unit of the State of Vermont) (the "Colleges"), which comprise the statement of net position as of June 30, 2025, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements and have issued our report thereon dated October 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Colleges' internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness of the Colleges' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report of Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Colleges' financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Colleges' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Colleges' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WithumSmith+Brown, PC

October 30, 2025

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 1,261,721	\$ -
Federal Work-Study Program	84.033	N/A	N/A	1,533,736	-
Federal Direct Student Loans	84.268	N/A	N/A	26,372,336	-
Federal Pell Grant Program	84.063	N/A	N/A	<u>17,586,429</u>	-
Total Student Financial Assistance Cluster				<u>46,754,222</u>	<u>-</u>
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
TRIO Student Support Services	84.042A	N/A	N/A	1,721,561	-
TRIO Upward Bound	84.047A	N/A	N/A	1,100,207	-
TRIO McNair	84.217A	N/A	N/A	<u>313,087</u>	-
Total TRIO Cluster				<u>3,134,855</u>	<u>-</u>
RESEARCH AND DEVELOPMENT CLUSTER					
National Aeronautics and Space Administration:					
Passthrough Awards:					
OSTEM: Science - National Space Grant College and Fellowship Program	43.008	University of Vermont	AWD00000100SUB00000078	10,781	-
National Science Foundation:					
Direct Awards:					
Biological Sciences: Collaborative Research*	47.074	N/A	N/A	<u>1,886</u>	-
Passthrough Awards:					
National Science Foundation/UVM/NSF^	47.083	University of Vermont	AWD00000725SUB00000293	209,828	-
Biological Sciences: National Science Foundation-DISES^	47.074	University of Maine	UMS2328	13,842	-
Integrative Activities: STRIVE^	47.083	Landmark College	Subaward under prime #2438168	6,061	-
Integrative Activities: EPSCoR SOCKS^	47.083	University of Vermont	AWD00001392SUB00000461	435,975	-
NSF Technology, Innovation, and Partnerships: CONFIR	47.084	Northern Forest Center	2303493	<u>14,195</u>	-
Subtotal - Passthrough Awards				<u>679,901</u>	<u>-</u>
U.S. Department of Health and Human Services:					
Direct Awards:					
NIH - Infants: Magic vs. Humor^^	93.859	N/A	N/A	<u>76,861</u>	-
Passthrough Awards:					
Prevention of Disease, Disability, and Death by Infectious Diseases: NEWVEC	93.084	University of Massachusetts	23-017116D00	50,980	-
Vermont Biomedical Research and Research Training/Network^^	93.859	University of Vermont	AWD00000118SUB00000034&40	<u>249,337</u>	-
Subtotal - Passthrough Awards				<u>300,317</u>	-
Total Research and Development Cluster				<u>1,069,746</u>	<u>-</u>

See Independent Auditor's Report.
See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
Child Care Development Fund Cluster					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Child Care Mandatory and Matching Funds of the Child Care and Development	93.575	Vermont Department of Children & Families	03440-32000-25, 03440-32004-25	<u>1,600,125</u>	-
Total Child Care Development Fund Cluster				<u>1,600,125</u>	-
ECONOMIC DEVELOPMENT CLUSTER					
U.S. Department of Commerce:					
Direct Awards					
EDA Café	11.307	N/A	N/A	<u>337,086</u>	-
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER					
U.S. Department of Transportation:					
Passthrough Awards:					
Highway Planning and Construction	20.205	VT Agency of Transportation	GR1761, GR1876, GR1967	<u>57,621</u>	-
NON-CLUSTER					
U.S. Department of the Interior:					
Direct Awards:					
Granger House Museum & Learning Lab	15.966	N/A	N/A	<u>20,016</u>	-
U.S. Department of Commerce:					
Passthrough Awards:					
VMEC & VMEC National Institute of Standards and Technology	11.611	N/A	N/A	1,049,075	-
Innovate NEK EDA	11.020	Northeastern Vermont Development	ED23OIE0G0133-VTSU	<u>77,299</u>	-
				<u>1,126,374</u>	-
U.S. Department of Agriculture:					
Direct Awards					
RUS-DLT Project	10.855	N/A	N/A	45,950	-
Transform Agriculture and Education	10.326	N/A	N/A	<u>27,727</u>	-
Subtotal - Direct Awards				<u>73,677</u>	-
Passthrough Awards:					
Coworking Consortium Initiative	10.241	University of Vermont	AWD00001247SUB00000691	<u>1,620</u>	-
U.S. Department of Justice					
Direct Awards:					
U.S. Department of Justice	16.753	N/A	N/A	<u>1,549,597</u>	<u>169,336</u>

See Independent Auditor's Report.
See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
Small Business Administration:					
Direct Awards:					
Small Business Development Centers - Portable Assistance ^{^^}	59.037	N/A	N/A	51,361	-
Congressional Community Project	59.059	N/A	N/A	75,393	-
Small Business Development Center ^{^^}	59.037	N/A	N/A	682,621	-
Subtotal - Direct Awards				<u>809,375</u>	<u>-</u>
Northern Border Regional Commission:					
Direct Awards:					
Northern Border Regional Development	90.601	N/A	N/A	274,972	175,571
U.S. Department of Health and Human Services:					
Direct Awards:					
Congressional Directives: HRSA VTSU Increasing VT Nursing Wkfrce	93.493	N/A	N/A	1,408,387	-
Ixodes Host Detection	93.855	N/A	N/A	21,203	-
Subtotal - Direct Awards				<u>1,429,590</u>	<u>-</u>
Passthrough Awards:					
Centers for Disease Control & Prevention ^{***}	93.391	Vermont Department of Health	03420-09223	19,640	-
VCPI - Mental Health Equity ^{***}	93.391	Vermont Department of Mental Health	03420-09922	4,371	-
Block Grants for Community Mental Health Services ^{***}	93.958	Vermont Department of Mental Health	03150-A1964, 031520-A1982	29,287	-
VCPI- VAPA Work~	93.959	Vermont Department of Health	03420-09922	629	-
VCPI - DSU Conference & VAPA Work~	93.959	Vermont Department of Health	092-90906	191,951	24,000
Childhood Professional Development System	93.434	Vermont Department of Health	03440-32004-25	150,000	-
Spectrum Youth and Family Services	93.243	Vermont Department of Health	YSBIRT-2	25,356	-
Subtotal - Passthrough Awards				<u>421,234</u>	<u>24,000</u>
Corporation for National and Community Service					
Passthrough Awards:					
AmeriCorps	94.006	Vermont Agency of Human Services	03400-LEAP-22AFF-FY25	403,680	-
U.S. Department of Labor:					
Direct Awards:					
GF Apprenticeship	17.289	N/A	N/A	205,220	-
WORC5 NBRC CPEP+	17.280	N/A	N/A	195,758	-
Subtotal - Direct Awards				<u>400,978</u>	<u>-</u>

See Independent Auditor's Report.
See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
U.S. Department of Treasury:					
Direct Awards:					
U.S. Department of Treasury	21.031	N/A	N/A	83,393	-
Passthrough Awards:					
Lydon Entrepreneurship Hub	21.027	Town of Lyndon, Vermont	ARPAORG_2023_03	1,906	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Agriculture, Food & Markets	02200-WQ-PSWF-2024-016	1,022	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act74SecG.300(a)(8)(B)-VSC	103,097	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act74SecG.300a8c-VSC-#1	532,236	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	03420-10097	1,006,735	-
Subtotal - Passthrough Awards				<u>1,644,996</u>	<u>-</u>
U.S. Department of Education:					
Direct Awards:					
AOE Mental Health	84.184X	N/A	N/A	207,929	-
ROAD To Success	84.116W	N/A	N/A	292,507	-
Title III	84.031A	N/A	N/A	210,005	-
Fund for Improvement of Postsecondary Education	84.116Z	N/A	N/A	1,302,304	-
Subtotal - Passthrough Awards				<u>2,012,745</u>	<u>-</u>
Passthrough Awards:					
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4319R0572501	963,475	-
C Perkins - Basic Grants to States**	84.048	Vermont Department of Education	4319R0572501	150,000	-
Child Care Mandatory and Matching Funds of the Child Care and Development	84.181A	Vermont Department of Children & Families	03440-32004-25	36,470	-
Gear UP Guide Program	84.334S	Vermont Student Assistance Corp.	N/A	251,529	-
Subtotal - Passthrough Awards				<u>1,401,474</u>	<u>-</u>
Total Non-Cluster				<u>11,653,722</u>	<u>368,907</u>
Total Federal Funds				<u>\$ 64,607,377</u>	<u>\$ 368,907</u>

* Subtotal of ALN 47.074 is \$15,728

^ Subtotal of ALN 47.083 is \$651,864

^^ Subtotal of ALN 93.859 is \$326,198

^^^ Subtotal of ALN 59.037 is \$733,982

** Subtotal of ALN 84.048 programs is \$1,113,475

~ Subtotal of ALN 93.959 programs is \$192,580

*** Subtotal of ALN 93.391 programs is \$24,011

See Independent Auditor's Report.
See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Vermont State University	Workforce Development	System Offices and Services	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER									
U.S. Department of Education:									
Direct Awards:									
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 339,565	\$ 922,156	\$ -	\$ -	\$ 1,261,721	\$ -
Federal Work-Study Program	84.033	N/A	N/A	170,127	1,363,609	-	-	1,533,736	-
Federal Direct Student Loans	84.268	N/A	N/A	1,351,207	25,021,129	-	-	26,372,336	-
Federal Pell Grant Program	84.063	N/A	N/A	7,986,511	9,599,918	-	-	17,586,429	-
Total Student Financial Assistance Cluster				<u>9,847,410</u>	<u>36,906,812</u>	<u>-</u>	<u>-</u>	<u>46,754,222</u>	<u>-</u>
TRIO CLUSTER									
U.S. Department of Education:									
Direct Awards:									
TRIO Student Support Services	84.042A	N/A	N/A	405,879	1,315,682	-	-	1,721,561	-
TRIO Upward Bound	84.047A	N/A	N/A	-	1,100,207	-	-	1,100,207	-
TRIO McNair	84.217A	N/A	N/A	-	313,087	-	-	313,087	-
Total TRIO Cluster				<u>405,879</u>	<u>2,728,976</u>	<u>-</u>	<u>-</u>	<u>3,134,855</u>	<u>-</u>
RESEARCH AND DEVELOPMENT CLUSTER									
National Aeronautics and Space Administration:									
Passthrough Awards:									
Science - National Space Grant College and Fellowship Program	43.008	University of Vermont	AWD00000100SUB00000078	-	10,781	-	-	10,781	-
National Science Foundation:									
Direct Awards:									
Collaborative Research*	47.074	N/A	N/A	-	1,886	-	-	1,886	-
Passthrough Awards:									
National Science Foundation/UVM/NSF ^A	47.083	University of Vermont	AWD00000725SUB00000293	-	209,828	-	-	209,828	-
National Science Foundation-DISES [*]	47.074	University of Maine	UMS2328	-	13,842	-	-	13,842	-
STRIVE ^A	47.083	Landmark College	Subaward under prime #2438168	6,061	-	-	-	6,061	-
EPSCoR SOCKS ^A	47.083	University of Vermont	AWD00001392SUB00000461	-	-	435,975	-	435,975	-
National Science Foundation CONFIR	47.084	Northern Forest Center	2303493	-	14,195	-	-	14,195	-
Subtotal - Passthrough Awards				<u>6,061</u>	<u>237,865</u>	<u>435,975</u>	<u>-</u>	<u>679,901</u>	<u>-</u>
U.S. Department of Health and Human Services:									
Direct Awards:									
NIH - Infants: Magic vs. Humor ^{AA}	93.859	N/A	N/A	-	76,861	-	-	76,861	-
Passthrough Awards:									
NEWVEC	93.084	University of Massachusetts	23-017116D00	-	50,980	-	-	50,980	-
Vermont Biomedical Research and Research Network ^{AA}	93.859	University of Vermont	AWD00000118SUB00000034&40	-	249,337	-	-	249,337	-
Subtotal - Passthrough Awards				<u>-</u>	<u>300,317</u>	<u>-</u>	<u>-</u>	<u>300,317</u>	<u>-</u>
Total Research and Development Cluster				<u>6,061</u>	<u>627,710</u>	<u>435,975</u>	<u>-</u>	<u>1,069,746</u>	<u>-</u>

See Independent Auditor's Report.
See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Vermont State University	Workforce Development	System Offices and Services	Total	Total Amounts to Sub-recipients
Child Care Development Fund Cluster									
U.S. Department of Health and Human Services:									
Passthrough Awards:									
Child Care Mandatory and Matching Funds of the Child Care and Development	93.575	Vermont Department of Children & Families	03440-32000-25, 03440-32004-25	1,545,125	-	55,000	-	1,600,125	-
Total Child Care Development Fund Cluster				1,545,125	-	55,000	-	1,600,125	-
ECONOMIC DEVELOPMENT CLUSTER									
U.S. Department of Commerce:									
Direct Awards									
EDA Café	11.307	N/A	N/A	-	337,086	-	-	337,086	-
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER									
U.S. Department of Transportation:									
Passthrough Awards:									
Highway Planning and Construction	20.205	VT Agency of Transportation	GR1761, GR1876, GR1967	-	49,302	8,319	-	57,621	-
				-	49,302	8,319	-	57,621	-
NON-CLUSTER									
U.S. Department of the Interior:									
Direct Awards:									
Granger House Museum & Learning Lab	15.966	N/A	N/A	-	20,016	-	-	20,016	-
U.S. Department of Commerce:									
Passthrough Awards:									
VMEC & VMEC National Institute of Standards and Technology	11.611	N/A	N/A	-	-	1,049,075	-	1,049,075	-
Innovate NEK EDA	11.020	Northeastern Vermont Development	ED23OIE0G0133-VTSU	-	-	77,299	-	77,299	-
				-	-	1,126,374	-	1,126,374	-
U.S. Department of Agriculture:									
Direct Awards									
RUS-DLT Project	10.855	N/A	N/A	-	45,950	-	-	45,950	-
Transform Agriculture and Education	10.326	N/A	N/A	-	27,727	-	-	27,727	-
Subtotal - Direct Awards				-	73,677	-	-	73,677	-
Passthrough Awards:									
Coworking Consortium Initiative	10.241	University of Vermont	AWD00001247SUB00000691	-	-	1,620	-	1,620	-
U.S. Department of Justice									
Direct Awards:									
U.S. Department of Justice	16.753	N/A	N/A	1,549,597	-	-	-	1,549,597	169,336
Small Business Administration:									
Direct Awards:									
Small Business Development Centers - Portable Assistance ^{AAA}	59.037	N/A	N/A	-	-	51,361	-	51,361	-
Congressional Community Project	59.059	N/A	N/A	-	-	75,393	-	75,393	-
Small Business Development Center ^{AAA}	59.037	N/A	N/A	-	-	682,621	-	682,621	-
Subtotal - Direct Awards				-	-	809,375	-	809,375	-
Northern Border Regional Commission:									
Direct Awards:									
Northern Border Regional Development	90.601	N/A	N/A	-	60,241	214,731	-	274,972	175,571

See Independent Auditor's Report.
See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Vermont State University	Workforce Development	System Offices and Services	Total	Total Amounts to Sub-recipients
U.S. Department of Health and Human Services:									
Direct Awards:									
	Congressional Directives: HRSA VTSU Increasing VT Nursing Wkfrce	93.493	N/A	N/A	-	1,408,387	-	1,408,387	-
	Ixodes Host Detection	93.859	N/A	N/A	-	21,203	-	21,203	-
	Subtotal - Direct Awards				-	1,429,590	-	1,429,590	-
Passthrough Awards:									
	Centers for Disease Control & Prevention***	93.391	Vermont Department of Health	03420-09223	19,640	-	-	19,640	-
	VCPI - Mental Health Equity**	93.391	Vermont Department of Mental Health	03420-09922	-	-	4,371	4,371	-
	Block Grants for Community Mental Health Services	93.958	Vermont Department of Mental Health	03150-A1964, 031520-A1982	-	-	29,287	29,287	-
	VCPI- VAPA Work~	93.959	Vermont Department of Health	03420-09922	-	-	629	629	-
	VCPI - DSU Conference & VAPA Work~	93.959	Vermont Department of Health	092-90906	-	-	191,951	191,951	24,000
	Childhood Professional Development System	93.434	Vermont Department of Health	03440-32004-25	150,000	-	-	150,000	-
	Spectrum Youth and Family Services	93.243	Vermont Department of Health	YSBIRT-2	-	-	25,356	25,356	-
	Subtotal - Passthrough Awards				169,640	25,356	226,238	421,234	24,000
Corporation for National and Community Service									
Passthrough Awards:									
	AmeriCorps	94.006	Vermont Agency of Human Services	03400-LEAP-22AFF-FY25	-	403,680	-	403,680	-
U.S. Department of Labor:									
Direct Awards:									
	GF Apprenticeship	17.289	N/A	N/A	-	-	205,220	205,220	-
	WORCS NBRC CPEP+	17.280	N/A	N/A	195,758	-	-	195,758	-
	Subtotal - Direct Awards				195,758	-	205,220	400,978	-
U.S. Department of Treasury:									
Direct Awards:									
	U.S. Department of Treasury	21.031	N/A	N/A	-	-	83,393	83,393	-
Passthrough Awards:									
	Lydon Entrepreneurship Hub	21.027	Town of Lydon, Vermont	ARPAORG_2023_03	-	1,906	-	1,906	-
	COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Agriculture, Food & Markets	02200-WQ-PSWF-2024-016	-	1,022	-	1,022	-
	COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act74SecG.300(a)(B)(B)-VSC	-	-	103,097	103,097	-
	COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act74SecG.300a8c-VSC-#1	-	-	532,236	532,236	-
	COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	03420-10097	-	1,006,735	-	1,006,735	-
	Subtotal - Passthrough Awards				-	1,009,663	635,333	1,644,996	-
U.S. Department of Education:									
Direct Awards:									
	AOE Mental Health	84.184X	N/A	N/A	-	207,929	-	207,929	-
	ROAD To Success	84.116W	N/A	N/A	-	292,507	-	292,507	-
	Title III	84.031A	N/A	N/A	-	210,005	-	210,005	-
	Fund for Improvement of Postsecondary Education	84.116Z	N/A	N/A	-	-	1,302,304	1,302,304	-
	Subtotal - Passthrough Awards				-	710,441	1,302,304	2,012,745	-
Passthrough Awards:									
	Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4319R0572501	963,475	-	-	963,475	-
	C Perkins - Basic Grants to States**	84.048	Vermont Department of Education	4319R0572501	150,000	-	-	150,000	-
	Child Care Mandatory and Matching Funds of the Child Care and Development	84.181A	Vermont Department of Children & Families	03440-32004-25	36,470	-	-	36,470	-
	Gear UP Guide Program	84.334S	Vermont Student Assistance Corp.	N/A	251,529	-	-	251,529	-
	Subtotal - Passthrough Awards				1,401,474	-	-	1,401,474	-
	Total Non-Cluster				3,316,469	3,732,664	2,666,951	1,937,637	11,653,722
	Total Federal Funds				\$ 15,120,944	\$ 44,382,550	\$ 3,166,245	\$ 1,937,637	\$ 64,607,377

* Subtotal of ALN 47.074 is \$15,728
^ Subtotal of ALN 47.083 is \$651,864
^^ Subtotal of ALN 93.859 is \$326,198
^^^ Subtotal of ALN 59.037 is \$733,982
** Subtotal of ALN 84.048 programs is \$1,113,475
~ Subtotal of ALN 93.959 programs is \$192,580
*** Subtotal of ALN 93.391 programs is \$24,011

See Independent Auditor's Report.
See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Notes to Schedule of Expenditures of Federal Awards
June 30, 2025**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Vermont State Colleges (the "Colleges") under programs of the Federal Government for the year ended June 30, 2025. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the Colleges, it is not intended to and does not present the financial position, changes in net position or cash flows of the Colleges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

3. DE MINIMIS INDIRECT COST RATE

The Colleges have elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. FEDERAL STUDENT LOAN PROGRAM

Perkins Loan Program

The Federal Perkins Loan Program ("Perkins") is administered directly by the Colleges and balances and transactions relating to the program are included in the Colleges' basic financial statements. During the fiscal year ended June 30, 2025, the Colleges ended their participation in the Perkins program by assigning all remaining loan balance receivables to the Department of Education. As of June 30, 2025, loan balances receivable, net under Perkins was \$0.

There was no Federal capital contribution or match by the Colleges during the current year.

Direct Student Loan Program

The Colleges disbursed \$26,372,336 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the Colleges under the program as of June 30, 2025. The Colleges are only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the Colleges' financial statements.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Type of auditor's report issued: Unmodified

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes _____ no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? x yes _____ no

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Student Financial Aid Cluster:	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work-Study Program	84.033
Federal Direct Student Loans	84.268
Federal Pell Grant Program	84.063
TRIO Cluster:	
TRIO – Student Support Services	84.042A
TRIO – Upward Bound	84.047A
TRIO – McNair	84.217A
Research and Development Cluster:	
Office of Stem Engagement (OSTEM)	43.008
Biological Sciences	47.074
Integrative Activities	47.083
NSF Technology, Innovation, and Partnerships	47.084
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084
Biomedical Research and Research Training	93.859
Non-cluster:	
Fund for Improvement of Postsecondary Education	84.116Z
Congressional Directives: HRSA VTSU Increasing VT Nursing Workforce	93.493

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

yes no

Section II - Financial Statement Findings

None.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025**

Section III - Federal Award Findings and Questioned Costs

Finding number: 2025-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance (SFA) Cluster
Assistance Listing Number: 84.007, 84.033, 84.268, 84.063
Award year: 2025

Criteria

The Code of Federal Regulations, consisting of 2 CFR 200.303, 16 CFR 314.3(a), and 16 CFR 314, requires that financial institutions, including institutions participating in Title IV programs, develop, implement, and maintain a comprehensive written information security program that includes administrative, technical, and physical safeguards appropriate to the sensitivity of the information being protected aligned with federal information security standards.

Condition

During our testing of the SFA Cluster, we requested the College's Written Information Security Plan (WISP). The Colleges were unable to provide a formal, documented WISP. The Colleges' general IT policies and procedures provided did not fully meet WISP requirements.

Cause

The Colleges have not developed or formalized a standalone WISP.

Effect

Without a formalized WISP, the Colleges are at a heightened risk of inadequate safeguarding of sensitive data, inconsistent application of security practices and procedures, and an increased likelihood of unauthorized access, data loss or misuse.

Questioned Costs

N/A

Perspective

Due to its nature, this deficiency is systemic, affecting the entire SFA Cluster population and related programs.

Identification as a Repeat Finding, if applicable

N/A

Recommendation

The Colleges should develop, approve, and implement a Written Information Security Plan (WISP) aligned with 16 CFR Part 314 requirements and tailored to the systems and data associated with the SFA Cluster.

View of Responsible Officials

The Colleges agree with the finding. This issue was the result of information security policies that did not reflect actual current practices. Such current practices were updated over the last two years in response to industry standards, insurance requirements, and Gramm Leach Billey Act requirements, which are believed to meet the requirements of these regulations. However, because they were not documented formally in a comprehensive policy form, they could not be adequately provided during the audit. In early Fall 2025, the Colleges hired a new Chief Information Security Officer (CISO), who has begun overhauling the information security policies to reflect current practices. The CISO has also created a preliminary draft of a WISP that reflects the Colleges current policies and procedures. This WISP is expected to be completed and implemented during fiscal year 2026, pending board review and approval.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024**

Finding number: 2024-001
Federal agency: U.S. Department of Education
Programs: Student Financial Aid Cluster
Assistance Listing Number #: 84.268, 84.063
Award year: 2024

Condition

The financial aid award process includes consideration of financial and demographic data provided by the student applicant. To evaluate the reliability of this data, a participating institution is required by the Federal Government to select a sample from its student population and verify certain prescribed data. The selected students' files should be revised to incorporate any changes in the supplied data. The College's policy is to verify the information of those students identified by the Federal Government's processor.

Award year 2024:

During our testing, we noted 1 student, out of a sample of 40, that did not complete verification before aid was disbursed.

Current Year Status:

During our current year testing, we did not note any findings related to prior year finding 2024-001.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024**

Finding number: 2024-002
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
Assistance Listing Number #: 84.268, 84.063
Award year: 2024

Condition

The Federal Government requires the Colleges to report student enrollment changes to the National Student Loan Data System ("NSLDS") within 60 days.

Award year 2024:

During our testing, we noted 1 student, out of a sample of 40, that were not reported to NSLDS. During our testing, we noted that three of the Colleges merged into one entity during year ending June 30, 2024. We observed the records and noted 18 students out of 3,789 students did not have their NSLDS status properly transferred to the new institution.

Current Year Status:

During our current year testing, we did not note any findings related to prior year finding 2024-002.

**Vermont State Colleges
(a Component Unit of the State of Vermont)
Management's Corrective Action Plan
Year Ended June 30, 2025**

Finding number: 2025-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance (SFA) Cluster
Assistance Listing Number: 84.007, 84.033, 84.268, 84.063
Award year: 2025

Corrective Action Plan

The Colleges hired a new Chief Information Security Officer (CISO), who has begun overhauling the information security policies to reflect current practices. The CISO has also created a preliminary draft of a WISP that reflects the Colleges current policies and procedures. This WISP is expected to be completed and implemented during fiscal year 2026, pending board review and approval.

Timeline for Implementation of Corrective Action Plan

Immediately.

Contact Person

Sharron Scott, CFO