

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY – OPERATING FUND
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024



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**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY – OPERATING FUND
(A COMPONENT UNIT OF THE STATE OF VERMONT)
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YEARS ENDED DECEMBER 31, 2025 AND 2024**

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Vermont Educational and Health Buildings Financing Agency
Burlington, Vermont

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Vermont Educational and Health Buildings Financing Agency – Operating Fund (the Agency), a component unit of the state of Vermont, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2025 and 2024, and the changes in financial position and its cash flows 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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 opinion.

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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

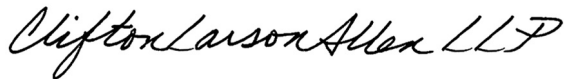
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2026 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Andover, Massachusetts
March 19, 2026

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
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MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024**

The purpose of management’s discussion and analysis (MD&A) is to help the members of the Board and other readers understand what the financial statements and notes in this financial report say about the Vermont Educational and Health Buildings Financing Agency’s (the Agency) financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by management’s knowledge of the Agency’s finances.

Overview of the financial statements

The Agency’s financial report contains basic financial statements. Those financial statements present the Agency’s finances at a detailed level through the presentation of the *proprietary fund financial statements*. The proprietary fund financial statements report the Agency’s *business-type activities* which are primarily financed with fees assessed to institutions in order to provide tax-exempt conduit debt access for capital expenditures and refinancing of indebtedness for eligible 501(c)(3) Vermont health care entities, educational institutions and private libraries.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the Agency’s finances as reported in the financial statements. The information in the notes is as important to understanding the Agency’s finances as the information in the financial statements. The Agency uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies and conduit debt).

Types of Information in the Financial Statements

The Agency’s financial statements use the *economic resources measurement focus and accrual basis of accounting*. In other words, they comprehensively report all types of financial statement elements:

- *Assets*—resources the Agency controls (cash and cash equivalents and investments)
- *Liabilities*—amounts the Agency owes (accounts payable)
- *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

More detail about the measurement focus and basis of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

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Analysis of the Agency's financial statements

The Agency's net position increased \$145 thousand, or 8.47 percent from the prior year to \$1.86 million. The increase reflects the annual and initial fees from institutions of \$278 thousand as well as investment income of \$180 thousand. The agency incurred \$312 thousand of operating expenses in 2025; which consisted primarily of administrative expenses and bond issuance costs. Those results represent an improvement over 2024, when the change in net position was an increase of \$12 thousand.

	2025	2024	Variance	
			Amount	Percent
Cash and Cash Equivalents	\$ 172,404	\$ 142,838	\$ 29,566	20.70 %
Investments	1,716,343	1,608,003	108,340	6.74
Total Assets	<u>\$ 1,888,747</u>	<u>\$ 1,750,841</u>	<u>\$ 137,906</u>	<u>7.88 %</u>
Liabilities	\$ 26,077	\$ 33,612	\$ (7,535)	(22.42)%
Net Position	1,862,670	1,717,229	145,441	8.47
Total Liabilities and Net Position	<u>\$ 1,888,747</u>	<u>\$ 1,750,841</u>	<u>\$ 137,906</u>	<u>7.88 %</u>

	2025	2024	Variance	
			Amount	Percent
Annual Fees from Institutions	\$ 60,519	\$ 62,672	\$ (2,153)	(3.44)%
Initial Fees from Institutions	217,386	34,026	183,360	538.88
Interest and Dividends	70,822	69,824	998	1.43
Net Appreciation (Depreciation) in Fair Value of Investments	108,796	63,441	45,355	71.49
Total Revenues	457,523	229,963	227,560	98.96
Total Expenses	312,082	217,900	94,182	43.22
Change of Net Position	<u>\$ 145,441</u>	<u>\$ 12,063</u>	<u>\$ 133,378</u>	<u>1105.68 %</u>

Total assets increased by \$138 thousand or 7.88 percent from 2024 to 2025. The change resulted primarily from an increase of \$108 thousand of investments as a result of net appreciation.

Total liabilities decreased \$7.5 thousand, or 22.4% from 2024 to 2025 due to the timing of the liquidation of liabilities. Liabilities as of December 31, 2025 consisted of accounts payable; of which, \$20,377 was due to the Vermont Bond Bank (a related organization) and the remaining \$5,700 was due to miscellaneous vendors, all of which were paid in February 2026.

The initial fees from institutions increased \$183 thousand or 538.9 percent from 2024 as a result of new conduit debt issuances conducted by the Agency resulting increased initial administration fees. These fees were utilized by the Agency to fund the increase in operating expenses of \$94 thousand or 43.2 percent which represent the increase in variable costs required to administer \$65 million of current year long-term conduit debt issuances.

The net appreciation in fair value of investments increased \$45 thousand or 71.5 percent due to strong market performance of the Agency's investments.

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In 2024, the Agency's net position increased \$12 thousand, or 0.71 percent from the prior year to \$1.72 million. The increase reflects the annual and initial fees from institutions of \$97 thousand as well as investment income of \$133 thousand. The agency incurred \$218 thousand of operating expenses in 2025; which consisted primarily of administrative expenses and debt issuance costs. Those results represented a decline from 2024, when the change in net position was an increase of \$140 thousand.

	2024	2023	Variance	
			Amount	Percent
Cash and Cash Equivalents	\$ 142,838	\$ 100,755	\$ 42,083	41.77 %
Investments	1,608,003	1,631,572	(23,569)	(1.44)
Total Assets	<u>\$ 1,750,841</u>	<u>\$ 1,732,327</u>	<u>\$ 18,514</u>	<u>1.07 %</u>
Liabilities	\$ 33,612	\$ 27,161	\$ 6,451	23.75 %
Net Position	1,717,229	1,705,166	12,063	0.71
Total Liabilities and Net Position	<u>\$ 1,750,841</u>	<u>\$ 1,732,327</u>	<u>\$ 18,514</u>	<u>1.07 %</u>

	2024	2023	Variance	
			Amount	Percent
Annual Fees from Institutions	\$ 62,672	\$ 60,844	\$ 1,828	3.00 %
Initial Fees from Institutions	34,026	202,500	(168,474)	(83.20)
Interest and Dividends	69,824	57,170	12,654	22.13
Net Appreciation (Depreciation) in Fair Value of Investments	63,441	112,398	(48,957)	(43.56)
Total Revenues	229,963	432,912	(202,949)	(46.88)
Total Expenses	217,900	292,423	(74,523)	(25.48)
Change of Net Position	<u>\$ 12,063</u>	<u>\$ 140,489</u>	<u>\$ (128,426)</u>	<u>(91.41)%</u>

Total assets increased by \$18,514 or 1.1% from 2023 to 2024. The change resulted primarily from an increase of interest and dividends due to \$100,000 of cash equivalents being allocated into a high-yield money market fund managed by the investment advisor in 2024; as compared to under \$30,000 allocated as of December 31, 2023. The increase in cash was offset by a decrease in investments related to market performance.

Total liabilities increased \$6,451, or 23.8% from 2023 to 2024 due to the timing of the liquidation of liabilities. Liabilities as of December 31, 2024 consisted of accounts payable. Of which, \$25,142 was due to the Vermont Bond Bank (a related organization) and the remaining \$8,470 was due to miscellaneous vendors, all of which were paid in February 2025.

The 2024 initial fees from institutions decreased \$168 thousand or 83.2 percent from 2023 as a result of decreased activity related to conduit debt issuances conducted by the Agency from 2023. The decrease in fees correlated with the decrease in operating expenses of \$75 thousand or 25.5 percent which represents the decrease in the Agency's variable costs of conduit debt administration due to two refunding issuances being performed in 2024 as compared to three refunding issuances performed in 2023.

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The net appreciation in fair value of investments decreased \$49 thousand or 43.6 percent due to weaker investment market performance of the Agency's investments as compared to 2023.

Significant long-term financing activity

As of December 31, 2025, the Agency had 22 borrowers with an aggregate outstanding loan balance of \$973.9 million.

Outstanding Revenue Bonds at December 31, 2025

Borrower Type	Number of Borrowers	Outstanding Balance as of December 31, 2025	Percent of Total
Health	13	\$ 478,658,945	49.15 %
Higher Education	5	475,300,000	48.80
Primary and Secondary Education	4	20,003,349	2.05
Total	22	\$ 973,962,294	100.00 %

The Agency issued \$116 million in conduit revenue bonds in 2025 which provided long-term financing to three borrowers across five loans.

As of December 31, 2024, the Agency had 22 borrowers with an aggregate outstanding loan balance of \$922.5 million.

Outstanding Revenue Bonds at December 31, 2024

Borrower Type	Number of Borrowers	Outstanding Balance as of December 31, 2024	Percent of Total
Health	13	\$ 431,337,331	46.76 %
Higher Education	5	462,105,000	50.09
Primary and Secondary Education	4	29,067,419	3.15
Total	22	\$ 922,509,750	100.00 %

The Agency issued \$17 million in conduit revenue bonds in 2024 which provided long-term financing to two borrowers.

Contact for further information

This financial report is designed to provide the reader with a general overview of the Agency's finances. Questions about this report or requests for additional financial information should be directed to Michael Gaughan, Executive Director, Vermont Educational and Health Buildings Financing Agency, 100 Bank Street, Suite 401, Burlington, VT 05401, at 802-861-0073 or michael@vtbondagency.org.

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STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 172,404	\$ 142,838
Investments	<u>1,716,343</u>	<u>1,608,003</u>
Total Assets	<u><u>\$ 1,888,747</u></u>	<u><u>\$ 1,750,841</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 26,077	\$ 33,612
NET POSITION		
Unrestricted	<u>1,862,670</u>	<u>1,717,229</u>
Total Liabilities and Net Position	<u><u>\$ 1,888,747</u></u>	<u><u>\$ 1,750,841</u></u>

See accompanying Notes to Financial Statements.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Annual Fees from Institutions	\$ 60,519	\$ 62,672
Initial Fees from Institutions	<u>217,386</u>	<u>34,026</u>
Total Operating Revenues	277,905	96,698
OPERATING EXPENSES	<u>312,082</u>	<u>217,900</u>
OPERATING LOSS	(34,177)	(121,202)
NONOPERATING REVENUES (EXPENSES)		
Interest and Dividends	70,822	69,824
Net Appreciation (Depreciation) in Fair Value of Investments	<u>108,796</u>	<u>63,441</u>
Total Nonoperating Revenues (Expenses)	179,618	133,265
INCREASE IN NET POSITION	145,441	12,063
Net Position - Beginning of Year	<u>1,717,229</u>	<u>1,705,166</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,862,670</u></u>	<u><u>\$ 1,717,229</u></u>

See accompanying Notes to Financial Statements.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from institutions:		
Annual Fees	\$ 60,519	\$ 62,672
Initial Fees	217,386	34,026
Cash Paid to Suppliers	<u>(319,617)</u>	<u>(211,449)</u>
Net Cash Used by Operating Activities	(41,712)	(114,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(163,199)	(59,453)
Proceeds from Sales of Investments	163,656	146,463
Interest and Dividends	<u>70,821</u>	<u>69,824</u>
Net Cash Provided by Investing Activities	<u>71,278</u>	<u>156,834</u>
INCREASE IN CASH AND CASH EQUIVALENTS	29,566	42,083
Cash and Cash Equivalents - Beginning of Year	<u>142,838</u>	<u>100,755</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 172,404</u></u>	<u><u>\$ 142,838</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (34,177)	\$ (121,202)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Increase (Decrease) in the Following Liabilities:		
Accounts Payable	<u>(7,535)</u>	<u>6,451</u>
Net Cash Used by Operating Activities	<u><u>\$ (41,712)</u></u>	<u><u>\$ (114,751)</u></u>

See accompanying Notes to Financial Statements.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vermont Educational and Health Buildings Financing Agency (the Agency) is a public instrumentality of the state of Vermont created in 1966 and becoming operational in 1969. The Board of the Agency consists of four ex-officio members, seven members appointed by the governor of the state of Vermont, and two members selected by the appointed members. The Agency is considered a component unit of the state of Vermont and is included as part of the state of Vermont's financial reporting entity.

The purpose of the Agency is to facilitate financing for capital expenditures and refinancing of indebtedness for eligible Vermont health care, educational institutions, and nonprofit private libraries through the issuance of primarily tax-exempt debt instruments.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America (U.S. GAAP) in conformity with the principles of fund accounting as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

The following is a summary of the significant accounting policies and financial statement presentation.

Basis of Presentation

The financial statement presentation follows the recommendations of GASB in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*. The Agency is a special-purpose entity with only business-type activities. Under GASB Statement No. 34, such entities present only the financial statements required for enterprise funds.

Measurement Focus and Basis of Accounting

The Agency uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability for payment is incurred.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The Agency primarily issues tax-exempt bonds that do not constitute a debt of the state of Vermont, its legislature, or any political subdivision. These debt instruments are payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Agency has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Accordingly, the bonds are not reported as liabilities and any related assets held by trustees are not reported as assets in these financial statements. Therefore, the financial statements present financial information solely for the Operating Fund (see Note 5.)

Cash and Cash Equivalents

The Agency considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

Investments

The Agency's Board appointed Raymond James & Associates, Inc. as its investment advisor and custodian to oversee the Agency's investments. The Agency reports investments at fair value as discussed in Note 3 to the financial statements.

Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of any contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CUSTODIAL CREDIT RISK – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency's deposits may not be recovered. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

At December 31, 2025 and 2024, the Agency's depository accounts were fully insured or collateralized. At December 31, 2025 and 2024, cash and cash equivalents included \$46,927 and \$23,059, respectively, of deposits in an investment multibank cash sweep account held with the custodian which was Federal Deposit Insurance Corporation (FDIC) insured.

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NOTE 3 INVESTMENTS

The Agency has adopted an investment policy and investment procedures to guide management and the Board in the investment of Agency funds. The Agency's overall goal is to protect the assets of the Agency through the use of safe and predictable investments and to achieve growth in excess of inflation in order to provide income to supplement administration of current programs and provide a source of capitalization for new programs. The Agency's investment policy for long-term investments includes that the "prudent investor rule" shall be used for managing the Agency's assets.

As of December 31, 2025 and 2024, the Agency's investments of \$1,716,343 and \$1,608,003, respectively, consisted of investments in equity securities and mutual funds held by the investment custodian.

Fair Value and Classification

The Agency reports investments at fair value using quoted prices in active markets for identical assets or liabilities in active markets to which the organization has access at the measurement date. This is considered a Level 1 input valuation technique under the framework established by U.S. GAAP for measuring fair value.

The fair value and classification of investments held at December 31, is as follows:

	Level 1	
	2025	2024
Large Company U.S. Stock	\$ 385,177	\$ 398,882
Small Company U.S. Stock	49,033	51,063
International	77,233	62,352
Specialty Stocks	61,691	44,435
Total Equities	573,134	556,732
Preferred Stock Mutual Funds	126,811	143,246
Fixed Income Mutual Funds	1,016,398	908,025
Total Investments	<u>\$ 1,716,343</u>	<u>\$ 1,608,003</u>

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NOTE 3 INVESTMENTS (CONTINUED)

The Agency's Finance Committee developed an Investment Policy Statement which provides target allocations of asset classification that are reviewed quarterly by the Committee and are employed by the Agency's investment advisor. The Investment Policy Statement additionally provides guidelines for the fixed income and equity portfolios. These guidelines generally address standards related to credit quality, duration, and concentration. The Agency's asset allocations in its investment portfolios at December 31, 2025 and 2024 based on the investment advisor's analysis is as follows:

Asset Class	Investment Policy Statement Range	Target Allocation	Allocation as of December 31, 2025
Large/Mid Company U.S. Stock	15% to 25%	20 %	18 %
Small Company U.S. Stock	1% to 5%	3	2
International Stock	2% to 8%	4	5
Specialty Stock	1% to 5%	3	4
Total Equities		30	29
Fixed Income Investments	45% to 65%	60	53
Preferred Stock	0% to 10%	5	7
Cash	0% to 15%	5	11
Total Fixed Income and Cash		70	71
Total		100 %	100 %

Asset Class	Investment Policy Statement Range	Target Allocation	Allocation as of December 31, 2024
Large/Mid Company U.S. Stock	15% to 25%	20 %	23 %
Small Company U.S. Stock	1% to 5%	3	3
International Stock	2% to 8%	4	4
Specialty Stock	1% to 5%	3	3
Total Equities		30	33
Fixed Income Investments	45% to 65%	60	52
Preferred Stock	0% to 10%	5	8
Cash	0% to 15%	5	7
Total Fixed Income and Cash		70	67
Total		100 %	100 %

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NOTE 3 INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will affect the fair value of certain investments. The Agency's investments in fixed income mutual funds of \$1,143,208 at December 31, 2025 had an average duration of 5.9 years and the average maturity was 7.4 years based on information provided by the Agency's investment advisor. The Agency's investments in preferred stock and fixed income mutual funds of \$1,051,271 at December 31, 2024 had an average duration of 6 years and the average maturity was 7.6 years based on information provided by the Agency's investment advisor.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency's investments in equity mutual funds and exchange traded funds at December 31, 2025 and 2024 were not rated. As of December 31, 2025 and 2024, the Agency's investments in preferred stock and fixed income mutual funds of \$1,143,208 and \$1,051,271, respectively, had an average credit quality of A based on information provided by the Agency's investment advisor.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of U.S. Treasury and federal agency bonds and notes, the Agency's Investment Policy Statement limits fixed income investments in any one issuer to 10%, and limits equity investments in any one company to 5% at cost or 8% at market of any manager's portfolio. At December 31, 2025 and 2024, the Agency did not hold more than these limits in any one issuer based on information provided by the Agency's investment advisor, and the Agency was not exposed to concentration of credit risk as no applicable investments with a single issuer exceeded 5% of total investments.

NOTE 4 RELATED PARTY

The Agency has a memorandum of understanding with the Vermont Bond Bank for general and administrative services. The total amount paid during the year to the Vermont Bond Bank was \$119,490 with an additional amount of \$20,377 accrued and payable at December 31, 2025. During 2024, \$128,489 was paid to the Vermont Bond Bank with a payable of \$25,142 accrued at December 31, 2024.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY – OPERATING FUND
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 CONDUIT DEBT OBLIGATIONS

The Agency provides tax-exempt conduit debt access for capital expenditures and refinancing of indebtedness for eligible 501(c)(3) Vermont health care entities, educational institutions, and private libraries (entities). Debt issued by the Agency does not constitute a debt of the state of Vermont, its legislature, or any political subdivision, and the bonds are payable solely from payments received from the entities. In addition, no commitments beyond the payments from these entities and maintenance of the tax-exempt status of the conduit debt obligations were extended by the Agency for any of those bonds. As of December 31, 2025, and 2024, revenue bonds and construction notes payable consisted of 22 borrowers for both years, with aggregate principal amounts payable of \$973,962,294 and \$922,509,750, respectively.

