BAKER NEWMAN NOYES

Finance Authority of Maine

Basic Financial Statements,
Management's Discussion and Analysis
and Supplementary Information

Year Ended June 30, 2026

Baker Newman & Noyes LLC
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FINANCE AUTHORITY OF MAINE

FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Finance Authority of Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Finance Authority of Maine (the Authority), a component unit of the State of Maine, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of NextGen 529, which represent 99.8 percent, 99.8 percent and 99.8 percent, respectively, of the assets, fund balance/net position and additions/revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for NextGen 529, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit 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 (*Government Auditing Standards*). 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 Authority and to meet our other ethical responsibilities in accordance with the 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 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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

The Board of Directors
Finance Authority of Maine

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Schedule of Net Position – Custodial Funds and Combining Schedule of Changes in Net Position – Custodial Funds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining Schedule of Net Position – Custodial Funds and Combining Schedule of Changes in Net Position – Custodial Funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2026 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Baker Newman & Noyes LLC

Portland, Maine
October 26, 2026

FINANCE AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026

As management of the Finance Authority of Maine (FAME or the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2026. As required, the Authority's financial statements are presented in the manner prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34), as amended. Under GASB 34, the Authority's funds are identified as Proprietary, or Business-type, funds, Governmental funds, and Fiduciary funds. The Authority's funds are generally created by federal or state statute.

Four of the Authority's funds are combined as Proprietary or Business-type: the Mortgage Insurance Program Fund, the NextGen Administration Fund, the Maine Loan Program Fund, and the Other Educational Funds in the basic financial statements. The remaining funds are classified as either Governmental Funds or Fiduciary Funds. Governmental Funds combine the Authority's governmental business finance-related funds with its education finance-related funds. The Authority manages the Fiduciary Funds for other boards or entities either pursuant to statute or contract. The Authority serves as administrator for the Maine Education Savings Program, also known as NextGen 529, which is included in the Statement of Net Position – Fiduciary Funds. NextGen 529 is a fiduciary component unit of the Authority under guidance in GASB 14 and GASB 84.

Significant Highlights for the Year Ended June 30, 2026

- The Authority administers NextGen 529, a Qualified Tuition Program under Section 529 of the Internal Revenue Code. Due primarily to significant market value gains during the fiscal year, the NextGen portfolio increased $2.5 billion, or 15.7%, to $18.7 billion as of June 30, 2026. Investments within the portfolio are owned by or credited to accountholders who have opened an education investing account. The NextGen 529 balance reflects accountholder contributions, in excess of withdrawals, as well as market value movements and earned income on account balances.

  The assets of the program are included in the Authority's financial statements and are separated into three distinct investment options: Select Series, Direct Series and Connect Series. The Select Series is for those investors seeking professional advisor guidance, the Direct Series is for self-directed investors responsible for independently choosing available NextGen investment options within the portfolio and the Connect Series is for investors desiring a simplified approach with fewer investment options. The Authority has a Program Services Agreement with Vestwell State Savings as the Program Manager, Bank of New York as the Program Custodian, BlackRock Advisors as the Investment Manager and BlackRock Investments as Underwriter and Distributor of the Select Series. The Authority also contracts with Northern Lights Distributors as Underwriter and Distributor of the Direct and Connect Series.

  The Authority earns fees for its administration services based on the daily net asset values of the program investments; program administration revenues and expenses are accounted for in the NextGen Administration Fund. NextGen administration fees, included in fee and other income on the statement of revenues, expenses and changes in net position, totaled $12.7 million for fiscal year 2026, compared to $11.3 million in the prior year. This increase is the result of $2.5 billion in market value growth during the year, impacting the overall value of the portfolio and, therefore, the administration fees earned. Contributions net of withdrawals during the year were equivalent to prior year, totaling $0.1 billion. The average balance of the portfolio was $17.3 billion during the fiscal year, compared to $15.1 billion during the prior year.

- Overall, the insured commercial loan portfolio increased $6.1 million, or 3.9%, year-over-year to $163.3 million on June 30, 2026. This is due to higher uncertainty of economic conditions, as well as increased usage of the organization's Online Answer platform which streamlines the review process for loan insurance requests. The allowance for insured commercial loan losses totaled $34.5 million on June 30, 2026, an increase of $7.4 million compared to prior year. This increase is the result of an $8.4 million provision expense recognized during the year, made necessary by three unforeseen relationship downgrades which represented an increase to the allowance of $6.8 million. During fiscal year 2026, the Authority paid claims, net of recoveries, totaling $1.1 million.

- During the prior year the Authority entered into an interest rate floor agreement to manage risks associated with interest on future variable rate loans originated within the Maine Loan Program Fund. The floor agreement was designed as a cash flow hedge, intending to establish a minimum interest rate of 4.2%, thereby protecting against a decline in the variable rate used to set Plus loan rates. The Authority paid an initial premium of $383,000 which was recorded as the initial fair value of the derivative. The fair value was included in prepaid expenses and other assets on the Statement of Net Position, with any change in fair value recorded in deferred outflows of resources on the Statement of Net Position. During May 2026 the floor agreement expired and due to the 10-year treasury rate not falling below the strike rate the $383,000 initial premium was recognized as a loss on derivative on the Statement of Activities.

- During May of fiscal 2025, the Authority issued a $31.3 million bond within the Maine Loan Program. This bond is intended to fund student loans for the '25/'26 academic year, as well as the '26/'27 academic year which is a change in the timeframe from past bond closings of the Authority. Due to the uncertainty of continuing tax-exempt status for private activity bonds the Authority issued the larger bond to cover two academic years, instead of issuing a bond to cover one academic year as had been the practice since the Authority began administering the Maine Loan Program. As a result, there were no bonds issued in the Maine Loan Program in fiscal year 2026.

- The State Small Business Credit Initiative (SSBCI) is a federal program administered by the U.S. Department of the Treasury that was created to strengthen state programs that support private financing to small businesses. Governor Mills designated the Authority to serve as the state agency to accept and administer the allocated funds for the program. The total award for this program was $62.0 million received by the Authority in three separate tranches. As of June 30, 2026 the Authority has received all three tranches of funding, with $7.0 million remaining to be disbursed. These funds are expected to be fully disbursed during fiscal 2027. The Authority disbursed $13.8 million under the program during the fiscal year, compared to $5.0 million during the prior year.

- For the year ended June 30, 2026, the Authority's net position increased $4.4 million to $68.0 million. This consists of a $3.5 million increase within the proprietary funds and a $0.9 million increase in the governmental funds.

Overview of the Authority

The Finance Authority of Maine was created in 1983 by an Act of the Maine Legislature (the Act), as a body corporate and politic, and is a public instrumentality of the State of Maine. The Authority's purpose at that time was to provide business-related finance programs. In 1989, the Act was amended to authorize the Authority to administer certain education-related finance programs. The Authority offers financing and loan insurance to Maine businesses, and also offers various educational grant, loan, and loan guaranty programs that assist students in attending institutions of higher education.

The Authority is considered a component unit of the State of Maine, and as such, its financial statements are reflected in the State of Maine general-purpose financial statements. The Authority is a quasi-governmental agency and not a department of the State of Maine. The Authority receives an appropriation from the State of Maine for loan, loan repayment and grant disbursements to education customers. A small portion of the appropriation is used for the administration of state programs.

Overview of Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include Authority-wide financial statements, fund financial statements, and notes to the financial statements. GASB 34 requires the categorization of funds into Proprietary, or Business-type, funds and Governmental funds, which are then combined into the Authority-wide financial statements. Note 1 of the footnotes to the financial statements describes the arrangement of the funds in greater detail.

Authority-wide Financial Statements

The Authority-wide financial statements are designed to provide readers with a broad overview of the Authority's finances. The Statement of Net Position presents information on all of the Authority's assets, deferred outflow of resources, liabilities, and net position, except for those funds that are classified as Fiduciary funds. The Fiduciary funds are presented in the Statement of Net Position – Fiduciary Funds. The Statement of Activities presents information showing functional areas of the Authority and their respective revenues and expenses. The statements are presented on an accrual basis.

The Authority-wide financial statements combine the business-type activities with the governmental activities. Under GASB 34, business-type activities include funds that are intended to recover all or a significant portion of their costs through customer fees and charges. Governmental activities include funds that are supported primarily with intergovernmental revenues such as appropriations or payment of fees by the federal government.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds and not the Authority as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority's funds can be divided into three categories: Proprietary funds, Governmental funds and Fiduciary funds.

Proprietary funds – The Authority identifies four funds as Proprietary. They include the Mortgage Insurance Program Fund, the NextGen Administration Fund, the Maine Loan Program Fund, and the Other Educational Funds in the basic financial statements. These funds rely on customer fees to cover a significant portion of the operational expenses of the funds.

Governmental funds – The remainder of the Authority's funds, with the exception of the Fiduciary funds, are grouped into this area. These funds are primarily supported by intergovernmental revenues such as State of Maine appropriations and payments by the federal government to operate the federal student loan guaranty program.

Fiduciary funds – The Authority maintains two different types of fiduciary funds. The Fiduciary Component Unit is used to report resources held for participants in the Maine Education Savings Program, a Qualified Tuition Program under Section 529 of the Internal Revenue Code, administered by the Authority, as well as Custodial Fund resources held by the Authority in a custodial capacity for other governmental organizations. The resources in these custodial funds cannot be used to support the Authority's operations. These funds are combined in the Statement of Net Position – Fiduciary Funds and Statement of Changes in Net Position – Fiduciary Funds and presented as Custodial Funds.

All of these funds are described in Note 1 to the financial statements.

Overview of the Authority-wide Financial Position and Operations

The Authority's overall financial position and operations for the past two years are summarized below based on information included in the financial statements.

Finance Authority of Maine
Authority-wide Net Position
(In thousands of dollars)

	Proprietary Activities		Governmental Activities		Total		Total Percent
	2026	2025	2026	2025	2026	2025	Change
Assets							
Cash and investments	$ 126,194	$ 126,596	$ 49,791	$ 57,944	$ 175,985	$ 184,540	(4.6)%
Notes and educational loans receivable, net	90,798	86,920	25,756	29,125	116,554	116,045	0.4
Due from other funds	48	43	–	–	48	43	11.6
Capital assets, net	837	1,001	–	–	837	1,001	(16.4)
Other assets	5,725	5,050	505	412	6,230	5,462	14.1
Total assets	$ 223,602	$ 219,610	$ 76,052	$ 87,481	$ 299,654	$ 307,091	(2.4)
Deferred Outflows of Resources							
Deferred loss on refunding	$ 561	$ 698	$ –	$ –	$ 561	$ 698	(19.6)%
Change in fair value of derivative	–	12	–	–	–	12	(100.0)
Total deferred outflows of resources	$ 561	$ 710	$ –	$ –	$ 561	$ 710	(21.0)%
Liabilities							
Accounts payable and accrued liabilities	$ 7,025	$ 6,822	$ 436	$ 475	$ 7,461	$ 7,297	2.2%
Unearned fee income	1,084	1,076	171	146	1,255	1,222	2.7
Due to other funds	–	–	48	43	48	43	11.6
Unearned grant and scholarship funds	–	–	13,224	26,712	13,224	26,712	(50.5)
Allowance for losses on insured loans	34,799	27,455	–	–	34,799	27,455	26.7
Long-term liabilities:							
Due in more than one year – arbitrage rebate payable	3,332	3,554	–	–	3,332	3,554	(6.2)
Notes and bonds payable:							
Due within one year	6,140	6,104	–	–	6,140	6,104	0.6
Due in more than one year	115,061	122,106	–	–	115,061	122,106	(5.8)
Program funds:							
Amounts held under state revolving loan programs	–	–	50,939	49,759	50,939	49,759	2.4
Total liabilities	$ 167,441	$ 167,117	$ 64,818	$ 77,135	$ 232,259	$ 244,252	(4.9)%
Net Position							
Unrestricted net assets	$ 29,929	$ 30,289	$ 452	$ 452	$ 30,381	$ 30,741	(1.2)%
Restricted net assets	25,956	21,913	10,782	9,894	36,738	31,807	15.5
Invested in capital assets	837	1,001	–	–	837	1,001	(16.4)
Total net position	$ 56,722	$ 53,203	$ 11,234	$ 10,346	$ 67,956	$ 63,549	6.9%

The Authority's total assets decreased $7.4 million, or 2.4%, while total liabilities decreased by $12.0 million, or 4.9%; the total change in net position during the year was an increase of $4.4 million, or 6.9%. Significant changes in the individual line items are described below:

Cash and Investments

Total cash and investments decreased $8.6 million, or 4.6%, during the year, ending with a total balance of $176.0 million.

Proprietary funds represented $126.2 million of that balance at fiscal year end, decreasing $0.4 million compared to prior year. This decline in cash consisted of a $10.6 million decline in the Maine Loan fund, offset by a $5.2 million increase in the Mortgage Insurance Fund (MIF), a $3.7 million increase in the NextGen fund and a $1.3 million increase in all other Proprietary funds.

- MIF – $5.2 million – The result of realized investment gains, investment income, as well as $1.0 million received from the noncapital subsidy – reserve fund transfer from the State of Maine.
- NextGen – $3.7 million – Due to market value appreciation of investments during the year, as well as surplus cash earnings.
- Maine Loan – $(10.6) million – Due to the disbursement of bond proceeds to borrowers during the year, net of repayments received.
- Other Funds – $1.3 million – Due primarily to realized investment gains.

Governmental funds represented $49.8 million of total cash and investments as of the end of the fiscal year, having decreased $8.1 million compared to the prior year. This decline in cash consisted of a $13.5 million decline in the SSBCI fund and a $1.4 million decline in the Underground Oil Storage Facility (UOSF) fund, offset by a $2.4 million increase in the Health Professions fund, a $3.4 million increase in the Business Direct Loan Program fund and a $1.0 million increase in the Federal Family Education Loan Program (FFELP).

- SSBCI – $(13.5) million – Due to continued emphasis on disbursing the remaining grant proceeds received from the U.S Department of Treasury.
- UOSF – $(1.4) million – Due to a transfer of funds back to the State of Maine from the program.
- Health Professions – $2.4 million – Due to $2.2 million received from Maine Appropriations for Student Financial Assistance.
- Business Direct Loan Program – $3.4 million – The result of repayments exceeding the amount of new loans made in the program.
- FFELP – $1.0 million – Due to investment earnings and market value appreciation of investments.

Capital Assets, Net

Capital assets, net, decreased by $0.2 million, or 16.4%, during the year. During fiscal 2025 and 2026 the Authority began work on the next strategic initiative which will result in a significant capitalized asset when completed. The initial costs incurred have not qualified to be capitalized and were therefore expensed as professional fees of the organization.

Other Assets

Other assets increased by $0.7 million, or 14.1%, during the year, primarily attributable to a $0.6 million increase in accounts receivable within the NextGen Administration Fund, primarily related to the administrative fee earned tied to the net asset value of certain program assets.

Unearned Grant and Scholarship Funds

Unearned grant and scholarship funds decreased $13.5 million, or 50.5%, as a result of increased disbursement activity within with the SSBCI fund during the year. The 3rd and final tranche of SSBCI funding was received from the U.S. Department of the Treasury during fiscal 2025, with the Authority having $20.5 million remaining to be disbursed as of the end of the prior year. These funds were expected to be fully disbursed during fiscal 2026, however as of June 30, 2026 there remained $7.0 million of undisbursed funds. This remaining balance is anticipated to be disbursed during fiscal 2027.

Allowance for Losses on Insured Loans

The allowance for losses on insured loans increased by $7.3 million, or 26.7%, during the fiscal year. This increase is primarily the result of risk profile downgrades to relationships within the Mortgage Insurance Program Fund. Although the organization budgeted a small increase in the allowance for losses on insured loans, there were three unforeseen relationship downgrades which represented an increase to the allowance of $6.8 million during the year.

Long-term Liabilities – Notes and Bonds Payable

Net bonds payable decreased by $7.0 million, or 5.5%, as a result of scheduled bond repayments and redemption activity during the fiscal year. There were no new bonds issued during the fiscal year due to the closing of a $31.3 million bond during fiscal 2025. This bond closing provided funding for the '25/'26 academic year, as well as the upcoming '26/'27 academic year.

Long-term Liabilities – Program Funds

The Authority receives state appropriations and funds from the issuance of State of Maine bonds to provide loans under revolving loan programs. The amounts held could be returned to the State of Maine upon request as a result of program modification, termination or to meet other state needs. The obligation to return the funds is identified on the balance sheet as a long-term liability, as the return of funds is not anticipated within the next year. These governmental program funds increased by $1.2 million, or 2.4%, during the fiscal year primarily due to activity within the Health Professions Program and the Underground Oil Storage Facility Program. The Health Professions fund increased $2.8 million, consisting of $0.6 million due to increased investment earnings as well as a $2.2 million received as appropriations from the State of Maine for student financial assistance. Program funds within the Underground Oil Storage Facility program decreased $1.5 million due to a transfer of funds back to the State of Maine from the program.

Net Position

For fiscal year 2026, the Authority's net position increased by $4.4 million, compared to a prior year 2025 decrease of $1.7 million. Revenues increased by $11.9 million, or 16.3%, when compared to prior year primarily due to an increase of $5.3 million in grants and scholarship revenues, $5.0 million in investment income and $1.0 million in user fees. Fiscal year 2026 operating expenses increased $5.8 million, or 7.6%, over prior year as a result of a $5.3 million increase in grant and scholarship expenses, a $1.2 million increase in financing expenses and a $0.8 million increase in salaries & benefits. These expense increases were partially offset by a $1.1 million decrease in customer benefit expenses within the NextGen Administration Fund as well as a $0.5 million decrease in provisions for losses on insured loans. Additional detail regarding the specific causes of these variances are provided in the following discussions of operational results for the Proprietary & Governmental Funds of the organization.

Further details are discussed below as part of the Statements of Revenues, Expenses/Expenditures and Changes in Net Position/Fund Balance for the Authority's proprietary and governmental funds. The results of operations for both the Authority's proprietary and governmental funds are presented below:

Finance Authority of Maine
Authority-wide Changes in Net Position
(In thousands of dollars)

	2026	2025	Increase/ (Decrease) Amount	%
Revenues:				
State appropriations	$ 600	$ 600	–	0.0%
Income from user fees	15,406	14,387	1,019	7.1
Investment income	16,616	11,595	5,021	43.3
Interest income on notes and educational loans receivable	5,666	5,115	551	10.8
Other income	3,785	3,848	(63)	(1.6)
Grant and scholarship revenue	42,523	37,188	5,335	14.3
Total revenues	84,596	72,733	11,863	16.3
Expenses:				
Salaries and benefits	8,756	7,966	790	9.9
Loan servicing costs	392	410	(18)	(4.4)
Financing expenses	5,145	3,943	1,202	30.5
Provision for losses on insured loans and educational loans	8,543	9,075	(532)	(5.9)
Grant and scholarship expenses	42,510	37,188	5,322	14.3
Customer benefit expenses	8,822	9,942	(1,120)	(11.3)
Other operating expenses/other	7,022	6,897	125	1.8
Total expenses	81,190	75,421	5,769	7.6
Other activity:				
Reserve fund transfer from State	1,000	1,000	–	0.0
Change in net position	$ 4,406	$ (1,688)	$ 6,094	361.0%

The details of the changes are explained in the proprietary and governmental funds section on the following pages titled Results of Operations.

Results of Operations – Proprietary Funds

The net assets of the Authority's proprietary funds increased by $3.5 million, or 6.6%, during fiscal year 2026 compared to a $2.7 million decrease in prior year. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position for the proprietary funds for the years ended June 30, 2026 and 2025:

Finance Authority of Maine
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
(In thousands of dollars)

	2026	2025	Increase/ (Decrease) Amount	Increase/ (Decrease) %
Operating revenues:				
Income from user fees	$ 15,406	$ 14,387	$ 1,019	7.1%
Interest income on notes and educational loans receivable	5,666	5,115	551	10.8
Other income	2,608	2,572	36	1.4
Total operating revenue	23,680	22,074	1,606	7.3
Operating expenses:				
Salaries and benefits	7,200	6,485	715	11.0
External loan servicing costs	392	410	(18)	(4.4)
Financing expenses	5,144	3,943	1,201	30.5
Provision for losses on insured loans and educational loans	8,543	9,075	(532)	(5.9)
Customer benefit expenses	8,823	9,942	(1,119)	(11.3)
Other operating expenses/other	5,505	5,337	168	3.1
Total operating expenses	35,607	35,192	415	1.2
Operating loss	(11,927)	(13,118)	1,191	(9.1)
Noncapital subsidies:				
Reserve fund transfer from State	1,000	1,000	–	0.0
Total noncapital subsidies	1,000	1,000	–	0.0
Nonoperating revenues (expenses):				
Investment income	14,828	9,466	5,362	56.6
Loss on derivative	(383)	–	(383)	N/A
Total nonoperating revenues	14,445	9,466	4,979	52.6
Change in net position	3,518	(2,652)	6,170	232.7
Net position at beginning of year	53,203	55,855	(2,652)	(4.7)
Net position at end of year	$ 56,721	$ 53,203	$ 3,518	6.6%

The proprietary funds include the Mortgage Insurance Program Fund, the NextGen Administration Fund, the Maine Loan Program Fund and the Other Educational Funds in the basic financial statements. Because these programs are classified as business-type funds, non-program investment income and state appropriations are categorized as non-operating revenue and noncapital subsidies, respectively, as required by GASB 103. In the governmental funds, these items are listed as revenues. The Mortgage Insurance Program relies on fee revenue to provide most of its funding for operations. The NextGen Administration Fund and Other Educational Funds rely on fee revenue to cover operating expenses.

The Maine Loan Program Fund relies on interest income from outstanding student loans to fund operating expenses. Net Position in the Mortgage Insurance Program Fund is used by the Authority to provide additional support for commercial loan insurance claims, in excess of the allowance for insured commercial loan losses. Net Position in the NextGen Administration Fund is used to fund student benefit programs, such as grants, scholarships, matching contributions and fee rebates for those who qualify for the programs. Effective October 9, 2013, the net position in the NextGen Administration Fund may also be used to fund financial education activities. Net Position in the Maine Loan Program Fund is used to provide new educational loans to students as well as support debt service on outstanding bonds payable. Net Position in the Other Educational Funds is used to fund higher education financing initiatives and outreach activities.

Revenues

Operating revenue totaled $23.7 million, an increase of $1.6 million, or 7.3%, when compared to prior year, primarily attributed to increased user fees and interest income on notes and educational loans receivable.

User fee revenues during the year increased $1.0 million, or 7.1%, and consisted of a $1.4 million increase in revenues within the NextGen Administration Fund and a $0.4 million decrease within the Claim Your Future Fund. The increased revenues within the NextGen Administration Fund, as discussed previously, were due to the growth in the portfolio balance which user fee revenues are based upon. Actual portfolio growth totaled $2.5 billion, or 15.7%.

During fiscal 2025 a large game sale was completed in the Claim Your Future Fund which generated $0.3 million. No such sales occurred during fiscal 2026.

Expenses

Operating expenses increased by $0.4 million, or 1.2%, from the prior year primarily due to increases in financing costs within the Maine Loan Program and salaries and benefits costs for the organization. These expense increases were offset by decreases in customer benefits expenses and provisions expense during the year.

Salaries and benefits increased $0.7 million, or 11.0%, compared to prior year due to the overall growth of the Authority and the necessary staffing increases required as a result. Management of the organization determined increases in headcount were necessary to achieve strategic initiatives and goals.

Financing expenses within the Maine Loan Program Fund increased $1.2 million, or 30.5%, due to bond interest expense associated with the 2025 bond issue, which maintained an outstanding balance of $31.3 million during fiscal 2026.

Provision expenses totaled $8.5 million during fiscal 2026, including an $8.4 million provision expense in the Mortgage Insurance Program Fund (MIPF) and a $0.1 million provision expense in the Student Loan Insurance Program (SLIP). During the prior year total provisions expense was $9.1 million, including an $8.6 million provision within MIPF and a $0.4 million provision within SLIP. Overall, provisions expense decreased $0.5 million, or 5.9%, compared to prior year.

As noted previously, there were three unforeseen relationship downgrades within MIPF which represented additional provisions of $6.8 million during the year. The large provisions expense during the prior year was due primarily to a $10.0 million insured commercial loan closed during June 2025 with 70% insurance and a 100% reserve and $7.0 million provision.

Customer benefit expenses within the NextGen Administration Fund totaled $8.8 million during the fiscal year, a $1.1 million decrease compared to prior year. These costs primarily include matching grants to accountholders for contributions made during the fiscal year, as well as other grant incentives for account openings and autopayments. The prior year expense of $9.9 million included a $1.8 million allocation of funding to the Maine State Grant Program to supplement the annual appropriation to cover disbursements to qualifying students during the year. Overall, the decrease in customer benefit expenses compared to prior year is due to this one-time allocation not occurring again during the year.

Non-Operating Revenues & Expenses

Non-operating revenues increased by $5.0 million, or 52.6%, during the fiscal year due to increased investment income of $5.4 million, offset by the $0.4 million loss on derivative discussed previously.

Investment income includes earnings on investments, market value appreciation of investments and earnings associated with the sale of investments. The $5.4 million increase in investment income compared to prior year consists of $0.8 million increase from investment earnings, $0.8 million increase in change in fair value of investments and $3.8 million from earnings associated with the sale of investments. The $0.8 million of increased investment earnings is due primarily to increased cash balances within the Maine Loan Program fund as a result of the $31.3 million bond closing in May of 2025. The $3.8 million increase in earnings associated with investment sales is due to the need to liquidate investments in the Vanguard Portfolio that had been carrying significant market value gains due to the strength of equity markets.

Overall, the net position of the proprietary funds increased by $3.5 million, or 6.6%, from $53.2 million to $56.7 million during the fiscal year.

Results of Operations – Governmental Funds

GASB 34 treats the presentation of the operating results differently in governmental funds. Revenue less expenditures is called Change in Fund Balance rather than Change in Net Position. Also, investment income and appropriations are classified under revenue, not non-operating revenue.

The Fund Balance of the Authority's governmental funds increased by $0.9 million, or 8.6%, from the prior year. The following table summarizes the Statement of Revenues, Expenditures and Changes in Fund Balance for the governmental funds for the years ended June 30, 2026 and 2025:

Finance Authority of Maine
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
(In thousands of dollars)

	2026	2025	Increase/(Decrease) Amount	Increase/(Decrease) %
Revenues:				
State appropriations	$ 600	$ 600	$ –	0.0%
Investment income	2,171	2,129	42	2.0
Other income	1,177	1,275	(98)	(7.7)
Grant and scholarship revenue	42,523	37,188	5,335	14.3
Total revenues	46,471	41,192	5,279	12.8
Expenditures:				
Salaries and benefits	1,556	1,480	76	5.1
Grant and scholarship expenses	42,510	37,188	5,322	14.3
Other operating expenses/other	1,517	1,560	(43)	(2.8)
Total expenditures	45,583	40,228	5,355	13.3
Changes in fund balance	888	964	(76)	(7.9)
Fund balance at beginning of year	10,346	9,382	964	10.3
Fund balance at end of year	$11,234	$10,346	$ 888	8.6%

The governmental funds include certain business direct revolving loan programs, such as the Business Direct Loan Program. The governmental funds also include the FFELP Operating Fund and other education-related programs such as the Educators for Maine Loan Program, the Maine State Grant Program, the Maine Health Professions Loan Program, the SSBCI Fund and the Thrive Maine Fund. These programs are classified as governmental funds because most of their revenue is derived from governmental sources and not from customer fees.

Revenues for the year were $46.5 million and consist primarily of grant and scholarship revenues. During the year total revenues increased $5.3 million, or 12.8%, compared to prior year driven primarily by increased grant and scholarship revenues. These revenues increased $5.3 million, or 14.3%, stemming from the following funds: an $8.8 million increase within the SSBCI fund; a $2.5 million decrease within the Pandemic Recovery Business Loan Fund; a $2.1 million decrease within the Maine State Grant Program fund; and a $1.1 million increase from all other governmental funds.

SSBCI grant and scholarship revenues were expected to increase during fiscal 2026 compared to the prior year, with the remaining $20 million in grant funds budgeted to be fully disbursed. However, during the fiscal year not all funds were able to be disbursed, with $7.0 million remaining as of June 30, 2026. These funds are anticipated to be disbursed in fiscal 2027.

Maine State Grants decreased due to less students qualifying for grants than projected. Therefore, $2.2 million in student financial assistance appropriations were applied to Health Professions and Dental revolving loan programs.

The final $2.5 million of funds within the Pandemic Recovery Business Loan Fund were disbursed during the prior year, with no grants occurring in fiscal 2026.

Governmental fund expenditures for the year were $45.6 million, which were $5.4 million, or 13.3%, higher than the prior year. Increased grant and scholarship expenses, correlating with the increase in grant and scholarship revenues cited above, is the primary cause of this increase in fund expenditures.

Overall, the fund balance of the governmental funds increased by $0.9 million to $11.2 million in fiscal year 2026. This reflects a decrease of $0.1 million when compared to the fund balance increase of $1.0 million in the prior year.

Debt Structure, Financing Activity, and Significant Capital Assets

The Authority is authorized to issue student loan revenue bonds to originate alternative educational loans to Maine residents for the purpose of higher education. As of June 30, 2026, the Authority had $121.2 million in net bonds payable outstanding. The Authority retired $6.5 million of the Series 2014, 2017, 2018, 2019 and 2021 bonds upon scheduled maturity and mandatory redemptions; the 2023, 2024 and 2025 bond issues will begin principal repayments at the end of calendar year 2027, 2028 and 2031, respectively. There were no bonds issued in fiscal year 2026.

There were no significant capital asset acquisitions, disposals or impairments during fiscal year 2026.

Currently Known Facts, Decisions or Conditions

The Authority expects significant capital asset additions over the next several fiscal years related to planned technology enhancements. These investments are intended to modernize technology infrastructure and improve operational capabilities. The scope, timing and cost of the additions remain subject to final planning, procurement, available funding and other implementation considerations.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Executive Officer, Finance Authority of Maine, P.O. Box 949, Augusta, ME 04332-0949.

FINANCE AUTHORITY OF MAINE

STATEMENT OF NET POSITION

June 30, 2026

	Business-type Activities	Governmental Activities	Total
ASSETS			
Cash and cash equivalents	$ 57,236,594	$ 22,783,811	$ 80,020,405
Investments	68,957,191	27,007,476	95,964,667
Accounts receivable	1,810,031	48,178	1,858,209
Accrued interest receivable	3,052,573	–	3,052,573
Notes and educational loans receivable, net	90,798,331	25,755,831	116,554,162
Due from other funds	48,178	–	48,178
Prepaid expenses and other assets	862,391	456,570	1,318,961
Capital assets, net	836,641	–	836,641
Total assets	$ 223,601,930	$ 76,051,866	$ 299,653,796
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	$ 560,583	$ –	$ 560,583
LIABILITIES			
Accounts payable and accrued liabilities	$ 6,579,416	$ 435,295	$ 7,014,711
Due to other funds	–	48,178	48,178
Unearned fee income	1,084,278	171,195	1,255,473
Accrued interest payable	445,625	–	445,625
Accrued arbitrage liability	3,331,837	–	3,331,837
Unearned grant and scholarship funds	–	13,224,361	13,224,361
Allowance for losses on insured loans	34,798,536	–	34,798,536
Long-term liabilities:			
Due within one year – bonds payable	6,139,527	–	6,139,527
Due in more than one year – bonds payable	115,061,336	–	115,061,336
Due in more than one year – program funds	–	50,939,171	50,939,171
Total liabilities	$ 167,440,555	$ 64,818,200	$ 232,258,755
Commitments and contingent liabilities (notes 6, 7 and 12)			
NET POSITION			
Net investment in capital assets	$ 836,641	$ –	$ 836,641
Restricted for education activities	19,732,389	10,781,623	30,514,012
Restricted for education bond programs	6,223,973	–	6,223,973
Unrestricted	29,928,955	452,043	30,380,998
Total net position	$ 56,721,958	$ 11,233,666	$ 67,955,624

See accompanying notes to the financial statements.

FINANCE AUTHORITY OF MAINE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2026

Functions/Programs:	Expenses	Program Revenues Charges for Services
Governmental activities:		
Federal Student Loan Guarantee Program	$ –	$ –
Educational Grant Programs	24,534,763	–
Revolving Loan Programs	1,182,515	629,384
State Small Business Credit Initiative Program	14,775,575	485,463
Other Governmental Grant Programs	5,090,247	61,948
Total governmental activities	45,583,100	1,176,795
Business-type activities:		
Mortgage Insurance Program	12,707,615	2,959,704
NextGen Administration Program	15,887,321	14,839,445
Maine Loan Program	6,452,960	5,684,147
Other Educational Programs	558,829	197,183
Total business-type activities	35,606,725	23,680,479
Total Authority	$81,189,825	$24,857,274
Other activity:		
Investment income		
Loss on derivative		
Reserve fund transfer from State		
Total other activity		
Change in net position		
Net position at beginning of year		
Net position at end of year		

See accompanying notes to the financial statements.

Program Revenues		Net Revenue (Expense) and Changes in Net Position		
Program Investment Income	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
$ 887,349	$ –	$ 887,349	$ –	$ 887,349
–	24,534,763	–	–	–
–	553,131	–	–	–
518,880	13,771,232	–	–	–
764,336	4,264,189	226	–	226
2,170,565	43,123,315	887,575	–	887,575
–	–	–	(9,747,911)	(9,747,911)
–	–	–	(1,047,876)	(1,047,876)
–	–	–	(768,813)	(768,813)
–	–	–	(361,646)	(361,646)
–	–	–	(11,926,246)	(11,926,246)
$2,170,565	$43,123,315	887,575	(11,926,246)	(11,038,671)
		–	14,827,932	14,827,932
		–	(383,000)	(383,000)
		–	1,000,000	1,000,000
		–	15,444,932	15,444,932
		887,575	3,518,686	4,406,261
		10,346,091	53,203,272	63,549,363
		$11,233,666	$ 56,721,958	$ 67,955,624

FINANCE AUTHORITY OF MAINE

STATEMENTS OF NET POSITION

PROPRIETARY FUNDS

June 30, 2026

	Mortgage Insurance Program Fund	NextGen Administration Fund	Maine Loan Program Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ 12,361,517	$ 5,133,726	$ 37,287,204
Investments	48,230,264	18,457,810	–
Accounts receivable	128,376	1,649,476	–
Accrued interest receivable	150,645	–	578,322
Notes and educational loans receivable, net	820	–	12,397,800
Due from other funds	48,178	–	–
Prepaid expenses and other assets	412,524	51,105	68,280
Total current assets	61,332,324	25,292,117	50,331,606
Noncurrent assets:			
Notes and educational loans receivable, net	820	–	78,398,891
Accrued interest receivable	–	–	2,323,606
Other assets	–	–	325,088
Capital assets, net	836,641	–	–
Total noncurrent assets	837,461	–	81,047,585
Total assets	$ 62,169,785	$ 25,292,117	$ 131,379,191
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	$ –	$ –	$ 560,583
LIABILITIES			
Current:			
Accounts payable and accrued liabilities	$ 808,969	$ 5,559,728	$ 147,438
Unearned fee income	1,084,278	–	–
Accrued interest payable	–	–	445,625
Bonds payable, net	–	–	6,139,527
Allowance for losses on insured loans	34,473,952	–	–
Total current liabilities	36,367,199	5,559,728	6,732,590
Noncurrent liabilities:			
Arbitrage rebatable	–	–	3,331,837
Bonds payable, net	–	–	115,061,336
Total noncurrent liabilities	–	–	118,393,173
Total liabilities	$ 36,367,199	$ 5,559,728	$ 125,125,763
Commitments and contingent liabilities (notes 6, 7 and 12)			
NET POSITION			
Net investment in capital assets	$ 836,641	$ –	$ –
Restricted for education activities	–	19,732,389	–
Restricted for education bond programs	–	–	6,223,973
Unrestricted	24,965,945	–	590,038
Total net position	$ 25,802,586	$ 19,732,389	$ 6,814,011

See accompanying notes to the financial statements.

Other Educational Funds	Total
$ 2,454,147	$ 57,236,594
2,269,117	68,957,191
32,179	1,810,031
–	728,967
–	12,398,620
–	48,178
5,394	537,303
4,760,837	141,716,884
–	78,399,711
–	2,323,606
–	325,088
–	836,641
–	81,885,046
$ 4,760,837	$ 223,601,930
$ –	$ 560,583
$ 63,281	$ 6,579,416
–	1,084,278
–	445,625
–	6,139,527
324,584	34,798,536
387,865	49,047,382
–	3,331,837
–	115,061,336
–	118,393,173
$ 387,865	$ 167,440,555
$ –	$ 836,641
–	19,732,389
–	6,223,973
4,372,972	29,928,955
$ 4,372,972	$ 56,721,958

FINANCE AUTHORITY OF MAINE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2026

	Mortgage Insurance Program Fund	NextGen Administration Fund	Maine Loan Program Fund
Operating revenues:			
Insurance premiums	$ 2,039,862	$ –	$ –
Application and commitment fees	520,873	–	–
Interest income on notes and educational loans receivable	–	–	5,666,487
Fee and other income	398,969	14,839,445	17,660
Total operating revenues	2,959,704	14,839,445	5,684,147
Operating expenses:			
Salaries and related benefits	3,027,174	3,398,917	595,113
Financing expenses	–	–	5,144,425
Bond administration expenses	–	–	172,086
Arbitrage income	–	–	(222,009)
Other operating expenses	1,248,668	3,666,025	347,187
Loan servicing costs	–	–	392,159
Provision for losses on insured loans and educational loans	8,431,773	–	23,999
Matching contributions and rebates	–	8,822,379	–
Total operating expenses	12,707,615	15,887,321	6,452,960
Operating loss	(9,747,911)	(1,047,876)	(768,813)
Noncapital subsidies:			
Reserve fund transfer from State	1,000,000	–	–
Total noncapital subsidies	1,000,000	–	–
Operating loss and noncapital subsidies	(8,747,911)	(1,047,876)	(768,813)
Nonoperating revenues (expenses):			
Investment income	6,855,905	4,755,897	1,577,940
Loss on derivative	–	–	(383,000)
Total nonoperating revenues	6,855,905	4,755,897	1,194,940
Change in net position	(1,892,006)	3,708,021	426,127
Net position at beginning of year	27,694,592	16,024,368	6,387,884
Net position at end of year	$25,802,586	$19,732,389	$6,814,011

See accompanying notes to the financial statements.

Other Educational Funds	Total
$ 47,557	$ 2,087,419
–	520,873
–	5,666,487
149,626	15,405,700
197,183	23,680,479
178,659	7,199,863
–	5,144,425
–	172,086
–	(222,009)
293,129	5,555,009
–	392,159
87,041	8,542,813
–	8,822,379
558,829	35,606,725
(361,646)	(11,926,246)
–	1,000,000
–	1,000,000
(361,646)	(10,926,246)
1,638,190	14,827,932
–	(383,000)
1,638,190	14,444,932
1,276,544	3,518,686
3,096,428	53,203,272
$4,372,972	$ 56,721,958

FINANCE AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2026

	Mortgage Insurance Program Fund	NextGen Administration Fund	Maine Loan Program Fund
Cash flows from operating activities:			
Fees received from customers	$ 2,944,989	$14,283,308	$ –
Principal payments received on educational loans	–	–	12,318,714
Educational loans originated	–	–	(15,506,185)
Interest receipts on notes and educational loans receivable	–	–	4,176,787
Payments for operating expenses	(1,494,666)	(3,061,534)	(570,315)
Payments to employees	(2,979,322)	(3,378,138)	(587,985)
Repayments on notes receivable	1,786	–	–
Payments for scholarships, matching contributions and rebates	–	(8,822,379)	–
Default payments made on loan guarantees	(1,082,199)	–	–
Recoveries received from prior loan guarantees and educational loans	18,229	–	363,198
Other	(63,855)	(32,995)	–
Net cash (used) provided by operating activities	(2,655,038)	(1,011,738)	194,214
Cash flows from noncapital and related financing activities:			
Interest payments on bonds	–	–	(5,523,695)
Redemption of bonds	–	–	(6,520,000)
Interfund transactions	(7,293,210)	–	–
Advanced to other funds	(5,079)	–	–
Funds received from other governments	1,000,000	–	–
Net cash used by noncapital and related financing activities	(6,298,289)	–	(12,043,695)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(94,327)	–	–
Cash flows from investing activities:			
Purchases of investments	(3,136,578)	–	–
Sales of investments	13,106,365	2,830,891	–
Interest received on investments and cash and cash equivalents	4,055,695	2,699,495	1,194,940
Net cash provided by investing activities	14,025,482	5,530,386	1,194,940
Net increase (decrease) in cash and cash equivalents	4,977,828	4,518,648	(10,654,541)
Cash and cash equivalents at beginning of year	7,383,689	615,078	47,941,745
Cash and cash equivalents at end of year	$12,361,517	$ 5,133,726	$ 37,287,204

Other Educational Funds	Total
$ 202,684	$ 17,430,981
–	12,318,714
–	(15,506,185)
–	4,176,787
(282,581)	(5,409,096)
(176,184)	(7,121,629)
–	1,786
–	(8,822,379)
(136,887)	(1,219,086)
25,654	407,081
(2,422)	(99,272)
(369,736)	(3,842,298)
–	(5,523,695)
–	(6,520,000)
–	(7,293,210)
–	(5,079)
–	1,000,000
–	(18,341,984)
–	(94,327)
–	(3,136,578)
662,744	16,600,000
871,779	8,821,909
1,534,523	22,285,331
1,164,787	6,722
1,289,360	57,229,872
$2,454,147	$ 57,236,594

FINANCE AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

For the Year Ended June 30, 2026

	Mortgage Insurance Program Fund	NextGen Administration Fund	Maine Loan Program Fund
Reconciliation of operating loss to net cash (used) provided by operating activities:			
Operating loss	$ (9,747,911)	$ (1,047,876)	$ (768,813)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:			
Depreciation	258,293	–	–
Provision for losses on insured loans and educational loans	8,431,773	–	23,999
Interest on bonds payable	–	–	5,144,425
Default payments made on loan guarantees	(1,082,199)	–	–
Recoveries received from prior loan guarantees and educational loans	18,229	–	363,198
Changes in operating assets and liabilities:			
Accounts receivable	(23,123)	(556,137)	–
Notes and educational loans receivable	1,786	–	(3,187,471)
Interest receivable	–	–	(1,489,700)
Arbitrage rebatable	–	–	(222,009)
Prepaid expenses and other assets	(63,855)	(32,995)	387,039
Accounts payable and accrued liabilities	(351,579)	625,270	(56,454)
Unearned fee income and other	(96,452)	–	–
Net cash (used) provided by operating activities	$ (2,655,038)	$ (1,011,738)	$ 194,214

Noncash activities – Maine Loan Program Fund

The Authority capitalized interest on educational loans in the amount of $1,079,385 during the year ended June 30, 2026.

The change in the fair value of the interest rate floor derivative was $12,158.

See accompanying notes to the financial statements.

Other Educational Funds	Total
$(361,646)	$(11,926,246)
–	258,293
87,041	8,542,813
–	5,144,425
(136,887)	(1,219,086)
25,654	407,081
5,501	(573,759)
–	(3,185,685)
–	(1,489,700)
–	(222,009)
(2,422)	287,767
13,023	230,260
–	(96,452)
$(369,736)	$ (3,842,298)

FINANCE AUTHORITY OF MAINE

BALANCE SHEETS

GOVERNMENTAL FUNDS

June 30, 2026

	Federal Guaranty Agency Operating Fund	Educational Grant Fund	Revolving Fund	State Small Business Credit Initiative Fund
ASSETS				
Cash and cash equivalents	$ 1,582,047	$ 2,884	$ 10,836,584	$ 6,991,004
Investments	9,400,896	–	15,989,888	–
Accounts receivable	–	–	–	–
Notes receivable, net	–	–	25,755,831	–
Other assets	32,523	–	358,972	–
Total assets	$ 11,015,466	$ 2,884	$ 52,941,275	$ 6,991,004
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 233,843	$ –	$ 40,622	$ 22,176
Due to other funds	–	–	–	–
Unearned fee income	–	–	171,195	–
Unearned grant and scholarship funds	–	2,466	1,691,564	6,968,828
Amounts held under state revolving loan programs	–	–	50,638,519	–
Total liabilities	233,843	2,466	52,541,900	6,991,004
Fund balances:				
Assigned – loan programs	–	418	399,375	–
Restricted – education programs	10,781,623	–	–	–
Total fund balances	10,781,623	418	399,375	–
Total liabilities and fund balances	$ 11,015,466	$ 2,884	$ 52,941,275	$ 6,991,004

See accompanying notes to the financial statements.

Other Governmental Funds	Total Governmental Funds
$ 3,371,292	$ 22,783,811
1,616,692	27,007,476
48,178	48,178
–	25,755,831
65,075	456,570
$ 5,101,237	$ 76,051,866
$ 138,654	$ 435,295
48,178	48,178
–	171,195
4,561,503	13,224,361
300,652	50,939,171
5,048,987	64,818,200
52,250	452,043
–	10,781,623
52,250	11,233,666
$ 5,101,237	$ 76,051,866

FINANCE AUTHORITY OF MAINE

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2026

	Federal Guarantee Agency Operating Fund	Educational Grant Fund	Revolving Fund	State Small Business Credit Initiative Fund
Revenues:				
State appropriations	$ –	$ –	$ –	$ –
Investment income	887,349	–	–	518,880
Other income	–	–	629,384	485,463
Grant and scholarship revenue	–	24,534,763	553,131	13,771,232
Total revenues	887,349	24,534,763	1,182,515	14,775,575
Expenditures:				
Operating expenditures:				
Salaries and related benefits	–	–	415,138	53,605
Other operating expenses	–	–	214,246	950,738
Grant and scholarship expense	–	24,534,763	553,131	13,771,232
Total expenditures	–	24,534,763	1,182,515	14,775,575
Excess of revenues over expenses	887,349	–	–	–
Net change in fund balances	887,349	–	–	–
Fund balances at beginning of year	9,894,274	418	399,375	–
Fund balances at end of year	$ 10,781,623	$ 418	$ 399,375	$ –

See accompanying notes to the financial statements.

Other Governmental Funds	Total Governmental Funds
$ 600,000	$ 600,000
764,336	2,170,565
61,948	1,176,795
3,664,189	42,523,315
5,090,473	46,470,675
1,087,688	1,556,431
351,699	1,516,683
3,650,860	42,509,986
5,090,247	45,583,100
226	887,575
226	887,575
52,024	10,346,091
$ 52,250	$ 11,233,666

FINANCE AUTHORITY OF MAINE

STATEMENTS OF NET POSITION

FIDUCIARY FUNDS

June 30, 2026

	Maine Education Savings Program	Custodial Funds
ASSETS HELD FOR OTHERS		
Cash and cash equivalents	$ 6,604,444	$10,782,692
Investments	18,673,211,029	17,636,506
Receivables from securities sold	367,482,776	–
Investment income receivable	846,215	–
Accrued interest receivable	–	416,551
Notes receivable, net	–	13,036,330
Total assets	19,048,144,464	41,872,079
LIABILITIES		
Accounts payable and other liabilities	–	30,319
Due to program manager	38,774	–
Payable for securities purchased	362,299,430	–
Withdrawals payable	11,625,636	–
Payable for accrued fees and expenses	4,789,535	–
Total liabilities	378,753,375	30,319
NET POSITION		
Net position held for education benefits	18,669,391,089	–
Net position restricted for other agencies	–	41,841,760
Total net position	$ 18,669,391,089	$41,841,760

See accompanying notes to the financial statements.

FINANCE AUTHORITY OF MAINE

STATEMENTS OF CHANGES IN NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2026

	Maine Education Savings Program	Custodial Funds
ADDITIONS AND NET INVESTMENT INCOME		
Contributions	$ 1,600,542,595	$ –
Appropriations	–	1,127,875
Investment income:		
Dividends and interest	708,428,690	865,835
Net appreciation in fair value of investments	1,799,859,316	1,784,934
Net investment income	2,508,288,006	2,650,769
Other receipts	–	556,325
Total additions and net investment income	4,108,830,601	4,334,969
DEDUCTIONS		
Grants	–	46,183
Provision for losses on loans	–	1,283,362
Other operating expenses	–	2,726,616
Withdrawals	1,527,837,949	–
Fees and expenses:		
Maine administration fees	13,665,910	–
Sales fees	33,053,563	–
Other expenses	7,233,145	–
Total fees and expenses	53,952,618	–
Total deductions	1,581,790,567	4,056,161
Net increase	2,527,040,034	278,808
Net position at beginning of year	16,142,351,055	41,562,952
Net position at end of year	$ 18,669,391,089	$41,841,760

See accompanying notes to the financial statements.

1. Organization and Significant Accounting Policies

Authorizing Legislation

The Finance Authority of Maine (FAME or the Authority) was created in 1983 by the *Finance Authority of Maine Act* (the Act), Title 10, Chapter 110, of the Maine Revised Statutes, as amended, as a body corporate and politic, and a public (tax exempt) instrumentality of the State of Maine. In 1989, the Act was amended to authorize the Authority's administration of educational finance programs found in Title 20-A, Chapters 417-E through 430-B (with the exceptions of Chapters 417-A and 418, which are not administered by the Authority, and 417E – 417F which are administered by the Authority and were enacted in 1998 and 2003, respectively). In June 2015, the State of Maine Legislature passed, and the Governor approved, S.P. 544-L.D. 1443, *An Act to Merge the Maine Educational Loan Authority with the Finance Authority of Maine*. This act provided that FAME become successor to the Maine Educational Loan Authority (MELA). These financial statements include all of the operations conducted by the Authority. In addition, the Authority's financial statements reflect the assets of NextGen 529 as a fiduciary component unit (note 15).

The Authority provides commercial financing and loan insurance to Maine businesses. The Authority is also authorized to carry out various programs to provide financial and other assistance to Maine residents and families to finance costs of attendance at institutions of higher education.

For financial reporting purposes, the Authority is considered a component unit of the State of Maine and as such, the Authority's financial statements are reflected in the State of Maine's general-purpose financial statements. The Authority is a quasi-independent agency and not a department of the State of Maine.

The financial statements also include the accounts and activities of FAME Opportunities, Inc. and FAME Leaders, Inc., separate 501(c)(3) organizations formed and controlled by the Authority. The operations of FAME Opportunities, Inc. are not significant to the financial statements. The operations of FAME Leaders, Inc. consist of offsetting grant revenue and grant expense and is included within the Governmental Funds financial statements within "Other Governmental Funds."

Basis of Presentation – Government-Wide Financial Statements

Separate government-wide financial statements, which are prepared using the economic resources measurement focus and the accrual basis of accounting, are presented. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Authority's proprietary funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Basis of Accounting

The financial statements are prepared in accordance with statements promulgated by the Governmental Accounting Standards Board (GASB).

1. Organization and Significant Accounting Policies (Continued)

The Authority follows the economic resources measurement focus and the accrual basis of accounting for the proprietary funds and, accordingly, recognizes revenue as earned and expenses as incurred. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, whereby revenues are recorded when they become available and measurable and expenses when incurred. Revenues from grants and programs are generally considered "available" if received within three months of the balance sheet date. There are no significant differences between the modified accrual basis and the accrual basis for the governmental funds. The fiduciary component unit and custodial funds are reported using the accrual basis of accounting.

Separate fund financial statements are provided for proprietary and governmental funds. The fund financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental entities, which provides that accounting systems be organized by funds to account for specific activities consistent with legal and operating requirements. Major individual governmental funds and proprietary funds and fund groups are reported as separate columns in the fund financial statements.

Maine Education Savings Program Fund

NextGen 529 (the Program) was established in accordance with Chapter 417-E of Title 20-A of the *Maine Revised Statutes Annotated of 1964*, as amended, to encourage the investment of funds to be used for qualified education expenses at eligible education institutions. The Program is designed to comply with the requirements for treatment as a qualified tuition program under Section 529 of the *Internal Revenue Code of 1986* (IRC), as amended (a 529 Savings Plan). This act authorizes the Authority to administer the Program and act as administrator of the Maine Education Savings Program Fund (the Program Fund). The Program Fund is held by the Authority, and is invested under the direction of and with the advice of a seven member Advisory Committee on Education Savings.

The Authority has a Program Services Agreement with Vestwell Holdings as program manager, The Bank of New York Mellon as program custodian, BlackRock Advisers, LLC as investment manager and BlackRock Investments, LLC as program underwriter and distributer of the select series and Northern Lights Distributors, LLC as underwriter and distributer of the direct and connect series. Through sub-contracts with one or more of the service providers, Merrill Lynch, Pierce, Fenner & Smith Incorporated, former program manager, continues to provide distribution and recordkeeping services.

As the primary consideration for its administrative duties, the Authority receives a monthly fee at an annual rate of up to 0.09% of the average daily net asset value of certain Program assets. The administrative fees earned were $12,679,736 in fiscal year 2026 and are recorded as fee and other income in the NextGen Administration Fund.

Administrative fees are used to provide benefits as set forth in the act and the Program rule. Program benefits to Maine accounts (accounts owned by Maine residents or designated beneficiaries who are Maine residents) include fee rebates and matching grants. Program benefit expenses recorded in the NextGen Administration Fund were $8,822,379 in fiscal year 2026. After matching grants are awarded, they are deposited in the Maine Education Savings Program Fund. Matching grants, including earnings thereon, are not the property of account participants or designated beneficiaries unless and until withdrawn for qualified higher education expenses of designated beneficiaries.

1. Organization and Significant Accounting Policies (Continued)

Fund Structure

The following business-type activities of the Authority are classified as proprietary funds:

Mortgage Insurance Program Fund
This fund consists of activities primarily relating to providing capital to a broad range of commercial borrowers that may be denied commercial credit without the provision of the Authority's loan insurance to financial institutions. The Authority receives loan insurance fees from the financial institutions (which may pass the cost to the ultimate borrower).

NextGen Administration Fund
This fund accounts for activities related to the administration of the Maine Education Savings Program, also known as NextGen 529 or NextGen, a qualified tuition program pursuant to Section 529 of the IRC to encourage families to invest for the qualified higher education expenses of a designated beneficiary. The Authority is the administrator of the Program. Administrative fees received by the Authority from some participants based on the net asset value of accounts (Maine Administration Fee) are included in the fund.

Maine Loan Program Fund
Under this fund, the Authority provides education loans primarily using funds acquired through the issuance of long-term debt. The Authority earns interest on the loans at variable and fixed rates.

Other Educational Funds
The following proprietary activities of the Authority are included in the Other Educational Funds:

Student Loan Insurance Program
This program provides loan insurance on direct educational loans made by participating financial institutions in the Maine Private Education Loan Network, including consolidations of existing student loans. Qualifying loans fall into three credit tiers with varying guarantee fees. These fees may be absorbed by the lending partners or passed through to the student borrowers. In addition to the upfront guarantee fees, an annual servicing fee is charged to the lending institutions based on outstanding loan balances.

Claim Your Future
Claim Your Future is an interactive game that encourages exploration into education after high school, future careers and money management. Organizations in multiple states (outside of the State of Maine) have contracts in place to use the game which is available online or in a classroom version.

Not-for-Profit Loan Servicing Program
This program ended in fiscal 2020. Amounts remaining in the fund consist of cash and investments, totaling approximately $1,440,000, which can be used at the discretion of the Authority.

1. Organization and Significant Accounting Policies (Continued)

The following governmental activities of the Authority are classified as governmental funds:

Federal Guarantee Agency Operating Fund
This fund accounted for the activities under the Federal Family Education Loan Program (FFELP). The Authority, in conjunction with the U.S. Department of Education (DE), made educational related federal loan guarantees to eligible Maine students and their families to attend post-secondary schools.

The Authority, with approval from the DE, entered into an agreement to transfer its entire guarantee loan portfolio, including all associated guarantee obligations, to another agency in fiscal year 2020. Amounts remaining in the fund consist of cash and investments, of approximately $10,983,000 as of June 30, 2026, which can be used only for higher education-related activities, including student financial aid-related activities for the benefit of students.

Educational Grant Fund
This fund accounts for the activities relating to providing grants to eligible undergraduate Maine students who have the greatest financial need and who attend private or public post-secondary institutions of higher learning. The funding for this program is received directly from the State of Maine on an annual basis.

Revolving Fund
This fund primarily consists of the funds relating to the Authority's administration of State of Maine revolving loan programs. These are state programs administered by the Authority, which provide either educational or commercial loans on a revolving basis. This fund records the aggregate activity of these programs. The program funding levels are derived from the State of Maine. Loans are granted with and without interest charges depending on the program and in some cases, there is also loan forgiveness. This fund consists of funds of the following programs:

Business Direct Loan Program (formerly known as Economic Recovery Loan Program)
Educators for Maine Program
Foreign Credentialing and Skills Recognition Revolving Loan Program
Health Professionals Loan Program
Regional Economic Development Revolving Loan Program
Oil Storage Facility and Tank Replacement Program

State Small Business Credit Initiative Fund (SSBCI)
This program was re-funded in fiscal 2023 by the U.S. Department of the Treasury. The program was created to provide funds to States to promote American entrepreneurship, support small business ownership and provide access to capital, including underserved communities. The Authority, along with its intermediary partners, are providing funding through loan guarantees, direct loans and equity capital. Disbursements by the Authority to intermediary partners are recorded as grant expenses.

SSBCI funding provided to the Authority is not considered federal financial assistance for reporting purposes and therefore is not subject to Uniform Guidance single audit requirements.

Refer to note 14 for additional information.

1. Organization and Significant Accounting Policies (Continued)

Other Governmental Funds
The Authority administers various other governmental and educational related programs. This fund group records the aggregate activity and reflects the combination of these programs. This fund group consists of the following:

Doctors for Maine's Future
FAME Leaders, Inc.
FAME Opportunities, Inc.
Higher Education Fund
Student Loan Repayment Credit Promotion Program
Pandemic Recovery Business Loan Fund (Thrive Maine)

The State of Maine provides funding for the Doctors for Maine's Future program. The Authority administers the scholarship in accordance with a memorandum of agreement with the Maine Department of Education. The funds are granted to qualifying students for attendance at college. FAME Leaders, Inc. relies on private corporations for funding. FAME Opportunities, Inc. relies on private individuals and corporations for contributions. The State of Maine provides program funding on an annual basis for the Higher Education Fund. The Student Loan Repayment Credit Promotion Program is reimbursed for qualifying expenses through a grant agreement with the State of Maine.

The Authority administers the Pandemic Recovery Business Loan Fund (Thrive Maine) program for the State of Maine under the *Maine Jobs and Recovery Act*. Funding for the *Maine Jobs and Recovery Act* is provided via federal grants made through the *American Rescue Plan Act* (ARPA). This fund was created to provide forgivable loans to small businesses and nonprofits in Maine that were negatively impacted by COVID. All loans were made in years prior to fiscal 2026. Under the terms of the loan agreements, loans were made at 0% interest with principal amounts forgiven at an annual rate of 25%, based upon various criteria, including that the business must provide annual reporting under the Thrive Maine program guidelines, be in good standing with the State of Maine and continue to be in operation. Should the recipient not meet the conditions of the loan, the unforgiven amounts will be repaid at an interest rate of 3%. Given the conditional criteria for forgiveness are not deemed significant, loans receivable for unforgiven amounts have not been recorded in the accompanying Other Governmental Funds balance sheet. During fiscal 2026, approximately $13,641,000 of loans were forgiven. At June 30, 2026, there is approximately $24,136,000 in loans outstanding that will be formally forgiven at a future date in accordance with program guidelines.

There are no legally adopted budgets for any of the Authority's funds.

The following fiduciary activities of the Authority are classified as Fiduciary Funds:

Fiduciary Component Unit
NextGen 529 is the Maine Education Savings Program. The program was established under Chapter 417-E of Title 20-A to encourage the investment of funds to be used for Qualified Higher Education Expenses at qualified institutions. The Program consists of the investments made by participants in the State's Qualified State Tuition Program under Section 529 of the IRC.

1. Organization and Significant Accounting Policies (Continued)

The Authority acts as administrator for this fund. The resources in this fund cannot be used to support the Authority's operations. The fund is reflected in the Statement of Net Position – Fiduciary Funds and the Statement of Changes in Net Position – Fiduciary Funds as the NextGen 529.

Accounting policies of the Fiduciary Component Unit are further described in note 15.

Custodial Funds

Additionally, pursuant to a contract, the Authority provides administrative, financial services support and other services for the Payroll Processing Insurance Fund, the Northern Maine Transmission Corporation, the Department of Agriculture for the Agricultural Marketing Loan Fund and the Potato Marketing Improvement Fund, the Small Enterprise Growth Fund, the Maine Rural Development Authority, the Dairy Improvement Loan Fund and the Compliance Assistance Loan Program.

The Authority acts in a custodian capacity for these Funds. The resources in these Funds cannot be used to support the Authority's operations. These Funds are combined in the Statement of Net Position – Fiduciary Funds and Statements of Changes in Net Position – Fiduciary Funds and presented as Custodial Funds.

Restriction on Net Position

The restricted net position of the Authority is restricted to a specific use by contract, federal or state statutes and regulations and bond indentures. Financial activities and resulting account balances that are not so restricted are presented in the Statement of Net Position as unrestricted net position. The Authority's unrestricted net position is generally intended for use for program-related activities.

Fund Balances

GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance of governmental funds be classified based on a hierarchy of constraints imposed on the use of resources. The fund balances must be identified as nonspendable, restricted, committed, assigned or unassigned.

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. The assigned fund balance classification is intended to be used for specific purposes but assigned fund balances do not meet the criteria to be classified as restricted.

There are no funds with fund balances classified as nonspendable, committed or unassigned. The Authority considers amounts to have been spent when an expenditure is incurred for both restricted and assigned fund balances. Assigned fund balances are reflected as unrestricted net position on the statement of net position.

The fund balance of the Authority's Federal Guaranty Agency Operating Fund is restricted. Pursuant to the *Higher Education Act*, the Authority may use the Operating Fund's balance only for higher education related activities, including student financial aid-related activities for the benefit of students.

1. Organization and Significant Accounting Policies (Continued)

Fund balances classified as assigned may be assigned by the Chief Executive Officer who has statutory power to supervise the Authority's administrative and technical affairs. To the extent such assignments are utilized in the budgeting process, they are approved by the Board of Directors. The appropriation that funds these programs generally gives guidance as to what the principal of the appropriation must be used for but is generally silent as to the treatment of any earnings on such funds. It has been the Authority's policy to use these earnings for the programs funded by the principal of the appropriation, including administrative costs. The Authority first utilizes restricted or committed or assigned fund balances, if any, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates utilized in the preparation of the financial statements of the Authority relate to the allowance for losses on insured loans (commercial and educational) and the allowance for loan losses on educational loans.

Risks and Uncertainties

The U.S. economy has experienced a number of disruptions including volatility in investment markets, inflationary pressures and interest rate volatility which have had the effect of increasing economic uncertainty at the national level and by extension to the State of Maine. The uncertainty and extent of any significant or prolonged impact to the economy could adversely affect the ability of borrowers, including those for which the Authority provides loan insurance within the Mortgage Insurance Program Fund and Student Loan Insurance Program, to satisfy their obligations. Other financial effects could occur, though such potential impact is unknown at this time.

Federal Income Taxes

It is the opinion of management that the Authority is exempt from federal income taxes under IRC Section 115 and that the Authority has maintained its tax-exempt status and has no uncertain tax positions that require adjustment or disclosure in these financial statements. However, because the Authority issues tax-exempt bonds, it is subject to the arbitrage rebate requirements of Section 148 of the IRC. Section 148 requires that any arbitrage profit earned on the proceeds of tax-exempt bonds issued after 1985 must be rebated to the federal government at least once every five years, with the balance rebated no later than 60 days after the retirement of the bonds.

Cash and Cash Equivalents

For purposes of preparing the statement of cash flows for the proprietary funds, the Authority considers certain highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents include funds held in institutional money market funds.

1. Organization and Significant Accounting Policies (Continued)

Investments

Investments are carried at fair value; see note 5. Unrealized gains and losses due to changes in fair values of investments are included in investment income, with the exception of the Revolving Loan Programs, where all investment income and losses, including unrealized gains and losses, are credited/charged to the "amounts held under state revolving loan programs" liability.

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

Notes Receivable

Notes receivable are carried at the principal amount outstanding less an allowance for losses. The allowance for losses on notes receivable is established through a provision for losses on notes receivable charged to operations. Notes receivable losses are charged against the allowance when management believes collectibility of the note principal is unlikely. The allowance is an amount that management believes will be adequate to absorb losses based on an evaluation of collectibility and prior loss experience.

Losses on notes receivable in the revolving loan programs are recognized by charging the amount held under the revolving loan program liability accounts when the notes receivable are forgiven or charged off.

Educational Loans

Educational loans within the Maine Loan Program Fund are stated at their unpaid principal balance, less an allowance for losses. Educational loans consist primarily of student loans, which are made to postsecondary students, graduate and professional students, attending eligible educational institutions.

Fees and costs related to the origination of student loans are recognized as expense when the loans are disbursed.

Interest on educational loans is recognized as revenue in the period earned and servicing costs are charged directly to expense as incurred.

Derivatives and Hedging Instruments

In fiscal 2025, the Authority had entered into an interest rate floor agreement to manage risks associated with interest on future variable rate loans originated within the Maine Loan Program Fund. The Authority recognized the fair value of derivatives as either an asset or liability on its Statement of Net Position with the offsetting gains or losses as either deferred inflows or outflows of resources, if deemed an effective hedge. If not deemed to be an effective hedge, the change in fair value is recorded through the Statement of Revenues, Expenses and Changes in Net Position. Hedge effectiveness is determined by using regression analysis and synthetic instrument methods. The Authority's interest floor hedge agreement constituted an effective hedge through maturity in May 2026. See note 8.

1. Organization and Significant Accounting Policies (Continued)

Allowance for Loan Losses on Educational Loans

Management of the Authority has established an allowance for loan losses to provide for probable losses on educational loans. The amount of the allowance, which is established through a provision for losses on educational loans charged to expense, is based on management's estimation of the probable losses within the portfolio. In estimating the adequacy of the allowance for loan losses, management considers such factors as the nature and volume of the portfolio, delinquency trends, specific problem loans and current economic conditions that may affect the borrowers' ability to repay. Actual results could differ from those estimates. Past due loans greater than 180 days are generally charged off.

Capital Assets

The Authority's capital assets are recorded at cost and depreciation is provided on the straight-line method over the estimated useful lives of the assets. Capital asset acquisitions that equal or exceed $1,000 are capitalized. The Authority's capital assets are comprised primarily of a floor of a building owned in common and improvements thereon in Augusta, Maine and computer hardware and software. The estimated useful lives of capital assets are as follows:

Building and improvements	5 – 30 years
Computer and office equipment/furniture	3 – 15 years

Allowance for Losses on Insured Loans

The Authority has established an allowance to absorb probable losses on commercial loans it insures. This allowance is adjusted by provisions charged to operating expense, default payments and by recoveries on prior default payments. The amount of the allowance, which represents probable, but not actual losses, is determined by management's evaluation of the insured loan portfolio. Primary considerations in this evaluation are loss experience, the character and changes in the size of the portfolio, business and economic conditions, the value of the collateral and the maintenance of the allowance at a level adequate to absorb losses. Actual results could differ from those estimates.

Discount, Premium and Issuance Costs on Bonds

Bond discount and premium are reflected as a component of bonds payable and are amortized using a method that approximates the effective interest method over the life of the bonds. Bond issuance costs are charged directly to expense when incurred. Amortization of bond discount and premium is accelerated for early repayment of bonds. Gains and losses on bond refundings are deferred and amortized as a component of interest expense over the life of the original or refunded bonds, whichever is shorter, and reflected as a deferred outflow of resources.

Revolving Loan Programs

Funds received, including interest, for revolving loan programs are recorded as a liability in "amounts held under state revolving loan programs."

1. Organization and Significant Accounting Policies (Continued)

Grants and Scholarships

Unrestricted grants and scholarships are recorded as revenue when received. Restricted grants and scholarships are recorded as revenue upon compliance with the restrictions. Amounts received for grant and scholarship programs are recorded in "unearned grant and scholarship funds" until they are utilized and at that time revenues equal to expenses are recognized since these grants and scholarships are expenditure driven.

Mortgage Insurance Premiums

The Authority's fee for insuring business loans may range from 0.5% to 2% per year of the outstanding insured portion of the principal balance of the business loan on the loan's annual anniversary date. Such mortgage insurance fees received in advance of the insurance period are deferred and are recognized as income over the insurance period.

Application and Commitment Fees

The Authority charges a fee for the review of applications for certain types of tax-exempt bonds and for the allocation of the state ceiling of tax-exempt bond cap. The Authority also charges an application and/or commitment fee on certain commercial loan insurance. Certain loans also require that a commitment fee be charged to the borrower. The fees are recorded as income when they are no longer refundable or when the Authority has performed the service.

Administrative Expenses

Administrative expenses are indirect costs associated with operating the Authority. These expenses are charged to the various funds based on the estimated time spent during the period on each program.

Operating Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues in the Mortgage Insurance Fund include fees received from providing services, insurance premiums and interest income on notes receivable. Operating revenues in the NextGen Administration Fund and the Other Educational Funds include fees received from providing services and related grants. Operating revenues in the Maine Loan Program include interest income on educational loans receivable, guarantee fee and other miscellaneous fee income.

Operating expenses in the Mortgage Insurance Fund and the NextGen Administration Fund include, as applicable, salaries and related benefits, other operating expenses, provision for losses on insured loans, scholarships, matching contributions and rebates. Operating expenses in the Maine Loan Program Fund are primarily for financing expenses, external loan servicing costs, provision for losses on educational loans, salaries and related benefits and other operating expenses. Operating expenses in the Other Educational Funds are primarily for loan processing services and also salaries and related benefits and operating expenses. Operating expenses for all proprietary funds are the costs of providing the services and operating all programs. All revenues and expenses not categorized above are reported as nonoperating revenues and expenses.

1. Organization and Significant Accounting Policies (Continued)

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the government-wide, proprietary, and governmental fund financial statements.

Recently Issued Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement addresses certain required components of management's discussion and analysis, the treatment of unusual or infrequent items, and presentation changes within the authority-wide statement of changes in net position. The provisions of Statement No. 103 are effective for reporting periods beginning after June 15, 2025. The adoption of this statement did not have a material impact on the Authority's financial statements; however, it resulted in certain presentation changes within the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds primarily by introducing a noncapital subsidies section. The $1,000,000 reserve fund transfer from the State of Maine within the Mortgage Insurance Program Fund has been recorded here, as opposed to included within nonoperating revenues in years prior to adoption.

Subsequent Events

Events occurring after the statement of net position or balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through October 26, 2026, which is the date the financial statements were available to be issued.

2. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

The carrying amounts, which represent both fair value and cost, of cash and cash equivalents for the Authority at June 30, 2026 are presented below:

Cash held in demand deposit accounts and on hand	$ 8,687,388
Money market accounts	615,736
Total carrying amount of deposits	9,303,124
Amounts restricted for bond obligations in Maine Loan Program Fund – money market funds	35,678,890
Amounts held in State of Maine Treasurer's Cash Pool (consisting of cash and cash equivalents, repurchase agreements, certificates of deposit, U.S. government investments and corporate bonds)	35,038,391
	$80,020,405

2. Cash, Cash Equivalents and Investments (Continued)

Of the total carrying amounts of deposits of $9,303,124 at June 30, 2026, the corresponding bank balances totaled $7,912,050. The difference between the carrying amounts of deposits and bank balances consists primarily of checks issued but not cashed and deposits in transit. The amount of bank balances covered by federal depository insurance was $7,296,318 at June 30, 2026, leaving $615,732 uninsured. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant risk at June 30, 2026.

At June 30, 2026, the money market funds were invested in the Federated Government Obligations Fund. The Federated Government Obligations Fund invests primarily in short-term U.S. Treasury and government agency securities including repurchase agreements collateralized by U.S. Treasury and government agency securities. As of June 30, 2026, the fund was rated Aaa-mf by Moody's Investors Service, AAAm by Standard & Poor's (S&P), and AAAmmf by Fitch Ratings. The underlying assets were not held in the name of the Authority.

The Authority invests monies that are not needed for immediate use or not held in the Maine Loan Program Bond Indenture with the State of Maine. The State of Maine sponsors an internal investment pool (the Treasurer's Cash Pool). The Authority's participation is voluntary. The State of Maine Treasurer's Cash Pool is primarily comprised of investment vehicles with short maturities and management of the Authority characterizes the investments within the pool as low risk. The State of Maine's Treasurer's Cash Pool is not rated by external rating agencies. The Authority is able to make withdrawals from the State of Maine investment pool at par with little advance notice and without penalty. The Authority's management considers this investment vehicle a money market instrument and carries the amounts in the pool at cost.

Included in cash and cash equivalents on the Statement of Net Position Fiduciary Funds – Custodial Funds is $10,782,692 held in the Authority's name in the State of Maine Treasurer's Cash Pool.

At June 30, 2026, the Authority's management had reserved $422,535 of cash to fund a moral obligation capital reserve for certain small business mortgage loans and the costs of property maintenance related to an acquired property (see note 7). The Authority's management has also designated $422,535 of the Mortgage Insurance Program unrestricted net position as a reserve for these matters.

At June 30, 2026, the Authority held $35,678,890 of money market funds within the Maine Loan Program Fund that are restricted for the origination of student loans, the repayment of bond obligations, and to satisfy certain reserve requirements specified by the bond indentures.

2. Cash, Cash Equivalents and Investments (Continued)

Investments

A summary of the fair values of investment securities as of June 30, 2026 is as follows:

Money market funds	$ 5,930
Vanguard Total International Stock Index Fund	27,382,779
Vanguard Total Bond Market Index Fund	44,941,372
Vanguard Total Stock Market Index Fund	41,271,092
	113,601,173
Less: investments recorded in Statements of Net Position – Fiduciary Funds – Custodial Funds	(17,636,506)
Investments recorded in Statement of Net Position	$ 95,964,667

The Authority is authorized to invest funds not needed currently to meet its obligations with the Treasurer of the State of Maine or in any such manner as provided for by law.

Included in investment income for the year ended June 30, 2026 is $5,654,425 of net unrealized gains from the change in fair value of investment securities for proprietary funds and $311,975 for governmental funds.

The Authority's investment policy incorporates a strategic asset allocation, which has been implemented through the use of full discretion investment managers who invest the assets of the portfolios assigned to them subject to the specific investment guidelines as outlined in the investment policy. The strategic allocation for the Authority's asset pools are as follows:

	Target Allocation
Reserve portfolio:	
Cash and equivalents and short-term fixed income	100%
Growth (diversified) portfolio:	
Diversifying	40%
Growth	60%

The above have been implemented through the following Vanguard Index Funds:

The Vanguard Total International Stock Index Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. It invests all, or substantially all, of its assets in the common stocks included in its target index.

2. Cash, Cash Equivalents and Investments (Continued)

The Vanguard Total Bond Market Index Fund measures the performance of a wide spectrum of public, investment-grade, taxable and fixed income securities in the United States, including government, corporate and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year. All of its investments are selected through a sampling process and at least 80% of its assets will be invested in bonds held in the index.

The Vanguard Total Stock Market Index Fund employs an indexing investment approach designed to track the index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange and Nasdaq. It invests by sampling the index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full index in terms of key characteristics.

Interest Rate Risk: The Authority manages interest rate risk according to its investment policy by generally prohibiting investments in fixed income securities maturing more than 10 years from the date of purchase. The Vanguard Total Bond Market Index Fund invests primarily in short- and intermediate-term bonds. The fund has an average duration of 5.8 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Authority. The Authority's investment policy limits its investments to those with high credit quality such as U.S. Treasury Obligations, U.S. Government-sponsored enterprises and corporate bonds rated at least AA- or equivalent at the time of purchase by at least one nationally recognized statistical rating organization such as Moody's or S&P, guaranteed investment contracts backed by high credit quality insurance companies or letters of credit. The Vanguard Total Bond Market Index is not rated; however, the fund generally invests in bonds that are investment grade quality, with approximately 80% of underlying investments rated A or better.

Concentration of Credit Risk: The Authority's investment policy restricts investments to prescribed categories and the Authority closely monitors its concentration to any one issuer through consultation with its investment advisor, which monitors the credit quality of the issuers.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure or, for investments, the failure of a counterparty, the Authority's deposits or investments may not be returned to it. The Authority's policy to manage the custodial risk of its deposits is to have the underlying investments held by its agent in the nominee's name. The Authority's investment advisor monitors the agent's credit quality. The Authority's investments in Vanguard Index Funds are not subject to custodial credit risk disclosure requirements.

For information on investment activity and risks related to the Fiduciary Component Unit, refer to note 15.

3. Notes and Educational Loans Receivable

Maine Loan Program Educational Loans

Educational loans earn interest at variable and fixed rates. Most of the Authority's borrowers within the Maine Loan Program are located in the New England states, primarily the State of Maine. Educational loans are unsecured.

Educational loans in the Maine Loan Program are classified as being in "interim" status during the period from the date the loan is made until a student ceases to be enrolled at least on a half-time basis plus a grace period of six months, during which time no payments of principal or interest are required. Borrowers may elect to make payments while in school. Loans in an "interest only" status are loans in which only interest payments are due. "Repayment" loan status refers to loans which require principal and interest payments. "Forbearance" status is a period during the life of the loan when repayment is suspended for authorized purposes.

Educational loans receivable are summarized as follows at June 30, 2026:

Status:	
Interim	$22,576,914
Interest only	12,361,598
Repayment	57,447,049
Forbearance	310,371
Total educational loans, gross	92,695,932
Less: allowance for loan losses	(1,899,241)
Total educational loans, net	90,796,691
Current portion	12,397,800
Noncurrent portion	$78,398,891

The educational loans are pledged for the repayment of bonds.

Transactions in the allowance for loan losses on educational loans for the year ended June 30, 2026 are as follows:

Balance at July 1, 2025	$1,868,533
Loans charged-off	(356,489)
Recoveries on loans	363,198
Net recoveries on loans	6,709
Provision for losses on educational loans	23,999
Balance at June 30, 2026	$1,899,241

At June 30, 2026, loans greater than 90 days delinquent or in claims or forbearance status approximated $546,900.

3. Notes and Educational Loans Receivable (Continued)

Notes Receivable

The following is a summary of notes receivable at June 30, 2026:

Mortgage Insurance Program Fund:	
Various notes receivable	$ 1,640
Notes receivable in the Revolving Fund:	
Business Direct Loan Program, net	13,125,906
Educators for Maine Program	1,574,007
Health Professionals Loan Program	10,802,078
Regional Economic Development Revolving Loan Program	253,145
Foreign Credentialing and Skills Recognition Revolving Loan Program	695
	25,755,831
Total notes receivable, net	$25,757,471

An allowance for losses on notes receivable has been established for the Business Direct Loan Program to consider potential losses. The allowance is netted against the notes receivable balances for the program. As of June 30, 2026, the allowance had a balance of $5,791,903. Because the Business Direct Loan Program is a state revolving loan program administered by the Authority, there is no effect on the Statement of Revenues, Expenditures and Changes in Fund Balances for the change in the allowance for losses for this Fund. The allowance account is offset against amounts held under revolving loan program accounts.

Security on the Mortgage Insurance Program notes generally includes a mortgage on the underlying property or other tangible business assets. Notes receivable under the Business Direct Loan, Regional Economic Development Revolving Loan and Foreign Credentialing and Skills Recognition Revolving Loan programs are secured by various property and equipment and, in some cases, are unsecured. The other notes for educational purposes are unsecured. Notes receivable, other than those in the Mortgage Insurance Program, bear interest from 0.00% to 10.25%, and are due on various dates up to 2036.

Notes receivable in the Custodial Funds at June 30, 2026 are as follows:

Potato Marketing Improvement Fund	$ 4,261,931
Agricultural Marketing Loan Fund	2,112,076
Maine Rural Development Authority, net	3,402,968
Dairy Improvement Loan Fund	2,626,106
Compliance Assistance Loan Program	633,249
	$13,036,330

An allowance for losses on notes receivable has been established for the Maine Rural Development Authority (MRDA) to consider potential losses. The allowance is netted against the notes receivable balances for the program. As of June 30, 2026, the allowance for the MRDA was $1,309,219.

4. Allowance for Losses on Insured Loans

The Authority has established an allowance account to absorb probable losses on the loans it insures (see note 6). The amount of the allowance and the provision for losses is determined by management's evaluation of the insured portfolio. The following is the activity in the allowance for losses on insured loans during the year ended June 30, 2026:

	Mortgage Insurance Program Fund	Other Educational Funds
Beginning balance	$27,106,149	$ 348,776
Default payments	(1,082,199)	(136,887)
Provision for losses	8,431,773	87,041
Recoveries on prior default payments	18,229	25,654
Ending balance	$34,473,952	$ 324,584

In August 2026, the Authority was informed that a business with an insured loan within the Mortgage Insurance Program Fund ceased operations. The Authority determined that the conditions leading to this event were present prior to June 30, 2026. As a result, the Authority recorded approximately $3,109,000 of provision for loan losses related to this loan guarantee in the 2026 financial statements.

5. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 – Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

5. Fair Value Measurements (Continued)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

Each asset's or liability'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal year ended June 30, 2026, the application of valuation techniques applied to similar assets has been consistent. Following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds and Vanguard index funds: Valued at the closing price reported in the active market in which the security is traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its 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 table sets forth by level, within the fair value hierarchy, the Authority's assets carried at fair value on a recurring basis as of June 30, 2026:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,930	$ –	$ –	$ 5,930
Vanguard index funds [(1)]	113,595,243	–	–	113,595,243
	$ 113,601,173	$ –	$ –	$ 113,601,173

[(1)] See breakdown of funds in footnote 2.

6. Off-Balance Sheet Financial Instruments, Commitments, Contingencies and Concentrations of Credit Risk

The Authority is insuring loans made by financial institutions to qualifying businesses under its various insurance programs. The Authority is contingently liable for the insured portion of payments due on these loans. At June 30, 2026, the Authority had insurance outstanding for commercial loans under the Mortgage Insurance Program Fund totaling approximately $163,308,000.

At June 30, 2026, the Authority was insuring commercial loans with an aggregate outstanding principal balance approximating $8,071,000 which were ninety or more days delinquent. The aggregate insured balance of these loans was approximately $5,335,000 at June 30, 2026.

The Authority's exposure to credit loss in the event of nonperformance by the other parties is equal to the amount insured including the Authority's share of expenses and any accrued interest. The amount and nature of collateral held varies but may include accounts receivable, inventory, and property, plant and equipment. Insurance is extended after a review of the subject's creditworthiness, among other considerations.

In addition, the Authority has entered into commitments to insure commercial loans at some future date. At June 30, 2026, these commitments under the Loan Insurance Program were approximately $10,742,000.

Substantially all of the Authority's loan customers and commercial loan insurance participants are located in the State of Maine. The only significant concentrations of credit risk in the Authority's loan and insured loan portfolios at June 30, 2026 are for geographical concentration.

The Authority provides loan insurance on direct educational loans and consolidation loans made by participating financial institutions in the Maine Private Education Loan Network. At June 30, 2026, approximately $18,955,000 of loans were insured under this program. Such loans are unsecured. See note 4 (Other Educational Funds).

6. Off-Balance Sheet Financial Instruments, Commitments, Contingencies and Concentrations of Credit Risk (Continued)

The Authority has legislative authority to incur Full Faith and Credit Obligations and Moral Obligations of the State of Maine in an aggregate amount not to exceed $1,153,500,000 at June 30, 2026. The State has not paid, nor does the Authority expect it to pay, any amounts as a result of this authorization as of June 30, 2026. Such insurance obligations are detailed below:

	Authorized	Outstanding
Full Faith and Credit of the State of Maine:		
Commercial Insurance Authority	$ 90,000,000	$ 90,000,000
Veterans Mortgage Insurance Authority	4,000,000	16,938
Higher Education Bonds	4,000,000	–
Moral Obligation of the State of Maine:		
Commercial Loan Insurance *	150,000,000	73,290,878
Other Obligations **	120,000,000	–
Direct Higher Education Loans	3,500,000	–
Paper Industry Job Retention Projects	120,000,000	–
Educational Bonds	225,000,000	118,605,000
Workers' Compensation Residual Market Projects	57,000,000	–
Solid Waste Bonds	50,000,000	–
Supplemental Student Loan Program	50,000,000	–
Transmission Facilities Projects	100,000,000	–
Electric Rate Stabilization, Energy Generation System and Energy Distribution System Projects	180,000,000	–
Total Moral Obligation	1,055,500,000	191,895,878
Total authorized and outstanding	$ 1,153,500,000	$ 281,912,816

* Statutory formula requires this amount be reduced by the amount of Other Obligations issued under 10 MRSA Section 1053.

** Statutory formula provides a total of $270,000,000 for "other" obligations, less the amount of Commercial Loan Insurance obligations issued under 10 MRSA Section 1032 (currently $150,000,000 allocated).

The Authority carries insurance to cover its exposure to various risks of loss excluding losses on loans and loan insurance. There were no significant uninsured losses during 2026.

At June 30, 2026, the Authority had commitments to extend credit for educational loans within the Maine Loan Program of approximately $54,000. Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the commitment agreement. Commitments generally have fixed expiration dates or other termination clauses. The Authority uses the same credit policies in making commitments as it does for educational loans receivable.

7. Acquired Property

The Authority holds title to land that it acquired in the course of a bankruptcy proceeding. The property is carried at no value in the Authority's Statement of Net Position. The land was previously owned by a company that operated a tannery and apparently used the land as a site for disposal of its industrial waste. The Authority takes the position that it is not liable for cleanup costs at the site because it acquired title to the property involuntarily. However, it has entered into a Memorandum of Understanding with the Maine Department of Environmental Protection and the Federal Environmental Protection Agency (EPA) pursuant to which it has or will pay a portion of the past and future cleanup costs on the site and has undertaken ongoing site maintenance responsibilities. The EPA has formally de-listed the site so that it is no longer considered an active *Comprehensive Environmental Response, Clean-up and Liability Act* (CERCLA) site, but the site remains under the oversight of the Maine Department of Environmental Protection (MEDEP).

Included in accounts payable and accrued liabilities at June 30, 2026, is approximately $24,000 accrued by management of the Authority to record potential costs associated with site protection and monitoring functions for which the Authority may be held liable. The Authority may be liable for additional payments if there is an extraordinary event on the property. For those additional payments, the Authority's legal counsel is unable to estimate an amount or range of possible liability at this time.

The MEDEP has informally notified the Authority that if contaminants migrate onto and contaminate adjacent residential water supplies, the Authority should assume mitigation costs. The mitigation costs are undetermined at this time. The Authority continues to assert that it is not liable. The Authority's legal counsel is unable to estimate an amount or range of a satisfactory settlement at this time for these matters.

8. Bonds Payable

The following bonds outstanding at June 30, 2026 within the Maine Loan Program Fund have been issued to finance the purchase and origination of educational loans:

Educational Loan Revenue Bonds	Amount Outstanding
2014 series due in annual installments on December 1, 2026 through 2031; interest fixed at rates ranging from 3.75% to 4.00%	$ 530,000
2017 series due in annual installments on December 1, 2026 through 2034; interest fixed at rates ranging from 3.75% to 5.00%	5,905,000
2018 series due in annual installments on December 1, 2026 through 2036; interest fixed at rates ranging from 3.50% to 5.00%	2,310,000
2019 series due in annual installments on December 1, 2026 through 2039; interest fixed at rates ranging from 3.00% to 5.00%	16,130,000
2021 series due in annual installments on December 1, 2026 through 2041; interest fixed at rates ranging from 2.12% to 5.00%	15,605,000

8. Bonds Payable (Continued)

Educational Loan Revenue Bonds	Amount Outstanding
2023 series due in annual installments on December 1, 2027 through 2044; interest fixed at rates ranging from 3.75% to 5.00%	$ 27,175,000
2024 series due in annual installments on December 1, 2028 through 2045; interest fixed at rates ranging from 4.00% to 5.25%	19,670,000
2025 series due in annual installments on December 1, 2031 through 2047; interest fixed at rates ranging from 4.75% to 5.25%	31,280,000
	118,605,000
Net unaccreted bond premium	2,595,863
Bonds payable, net	121,200,863
Current portion	6,139,527
Non-current portion	$ 115,061,336
Unaccreted deferred loss on refunding	$ 560,583

The Authority accreted $137,134 for the year ended June 30, 2026 of the deferred loss on refunding.

The bonds are not a debt or liability of the State of Maine but are payable solely as provided in the bond indentures. The bonds are secured by cash, cash equivalents, investments and a first lien on the educational loans originated and acquired with the proceeds.

The bonds are subject to early redemption at par, in whole or in part, from unused bond proceeds and investment income thereon, to the extent that the funds will not be used to originate eligible loans. The bonds are subject to mandatory redemption under provisions outlined in the bond indentures.

Investments made and educational loans originated with the proceeds of the bonds, and the net revenues thereon, are held in trust. As additional security for the bonds, the Authority has established cash reserve funds totaling $1,696,700 at June 30, 2026, to be used to replenish any deficiency in funds required to pay principal or interest due on the bonds. In addition to the cash reserve funds, the Authority also has a reserve fund insurance policy (surety bond) available in an amount up to the maximum annual debt service in any given year, less the cash reserve funds.

The State of Maine approved legislation extending the ability of the Authority to create or establish capital reserve funds which will benefit from a “moral obligation” from the State of Maine to June 30, 2026. The maximum amount of bonds that the Authority can have outstanding with a capital reserve fund which will benefit from a “moral obligation” of the State of Maine is $225,000,000.

8. Bonds Payable (Continued)

The debt service requirements through June 30, 2031 and in five-year increments thereafter to maturity for the Authority are as follows:

Fiscal Year(s)	Principal	Interest	Total
2027	$ 5,710,000	$ 5,205,400	$ 10,915,400
2028	6,785,000	4,898,806	11,683,806
2029	7,220,000	4,558,725	11,778,725
2030	5,605,000	4,254,563	9,859,563
2031	5,630,000	3,995,681	9,625,681
2032 – 2036	34,890,000	15,599,259	50,489,259
2037 – 2041	28,070,000	8,971,069	37,041,069
2042 – 2046	20,785,000	3,460,688	24,245,688
2047 – 2048	3,910,000	207,638	4,117,638
	$ 118,605,000	$51,151,829	$ 169,756,829

The actual maturities and interest may differ due to redemption provisions or other factors.

The following summarizes the bond activity for the Authority for the year ended June 30, 2026:

Balance at beginning of year	$ 128,209,589
Redemption of bonds	(6,520,000)
Net accretion/amortization	(488,726)
Balance at end of year	$ 121,200,863

As part of their financing strategy, the Authority entered into an interest rate floor agreement in fiscal year 2025 to hedge changes in future loan interest rates within the Maine Loan Program Fund. The purpose of the floor was to establish a minimum interest rate of 4.2%, thereby protecting against a decline in the variable rate used to set loan rates. The floor agreement was designed as a cash flow hedge.

The hedge had a notional value of $15,000,000 and expired unused on May 13, 2026. The Authority recognized a loss of $383,000, which is included in nonoperating revenues (expenses) of the Maine Loan Program Fund.

9. Arbitrage

The bonds issued in the Maine Loan Program are subject to Internal Revenue Service regulations which limit the amount of income which may be earned on certain cash equivalents, investments and educational loans acquired with bond proceeds. Any excess earnings are to be refunded to the federal government. The estimated arbitrage liability related to excess earnings on educational loans was $3,331,837 at June 30, 2026. No payments were required in fiscal 2026. The Authority does not anticipate that any payments will be due through June 30, 2027.

10. Capital Assets

Capital assets activity for the year ended June 30, 2026, was as follows:

	June 30, 2025	Additions	Disposals	June 30, 2026
Building and improvements	$ 2,232,425	$ –	$ (17,573)	$ 2,214,852
Computer and office equipment	2,766,966	94,327	(43,002)	2,818,291
	4,999,391	94,327	(60,575)	5,033,143
Less accumulated depreciation for:				
Building and improvements	(1,896,591)	(78,013)	17,573	(1,957,031)
Computer and office equipment	(2,102,193)	(180,280)	43,002	(2,239,471)
Total accumulated depreciation	(3,998,784)	(258,293)	60,575	(4,196,502)
	$ 1,000,607	$(163,966)	$ –	$ 836,641

11. Transactions With the State of Maine

Amounts received in governmental and business-type activities from the State of Maine for the year ended June 30, 2026, are summarized below:

Received for grant programs	$28,135,928
Received for loan programs	2,662,740
General State of Maine appropriations	600,000
Reserve fund transfers	1,000,000

The Maine Revised Statutes provide that, if certain conditions are met, the state will transfer to the Authority funds, as available, from the State's Loan Insurance Reserves.

As part of the Authority's administration of the Maine State Grant Program, the Authority received $24,465,394 of funds reflected in the table above from the State of Maine, which is included in the Educational Grant Fund as part of grant and scholarship revenue on the Statement of Revenues, Expenditures and Changes in Fund Balances.

12. Revenue Bonds

In accordance with the Act, the Authority is authorized to assist, review and approve the issuance of Revenue Obligation Securities, which enable applicants, public or private, to finance projects through the issuance of tax-exempt securities by the Authority or municipalities. Occasionally, the Authority insures the repayment of a portion of the mortgage loans securing these bonds.

12. Revenue Bonds (Continued)

Each series of these bonds are limited obligations of the Authority, separately secured by a pledge of the revenues and collateral derived in connection with the mortgage loan financed from the proceeds of such series (conduit debt). All costs of originating the bonds, including underwriter's discount, are paid by the borrowers. The principal and interest paid by each borrower is at an amount equal to the amount of principal and interest due to the bondholders. Because the bonds represent only a contingent liability to the Authority, in that the Authority is not responsible for payment of the bonds unless the insured borrower defaults on an insured bond, the amount of bonds payable, the related mortgages receivable and the cash held in trust have not been recorded on the Authority's Statement of Net Position.

13. Deferred Compensation and Pension Plans

The Authority offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all Authority employees, permits the employees to defer a portion of their salary until future years. The Authority does not match any deferred compensation under this plan. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The Authority has established a trust for the exclusive benefit of the participants and their beneficiaries. As a result, the plan assets and corresponding liability are not presented in the Authority's Statement of Net Position at June 30, 2026.

Currently, the Authority offers a Simplified Employee Pension Plan, a defined contribution plan, to its employees. All contributions made by the Authority go into this plan at 8% of eligible compensation. Pension expense was approximately $487,000 in fiscal year 2026.

14. SSBCI

The Authority, as an Agency of the State of Maine, and the U.S. Treasury (the Treasury), entered into an Allocation Agreement whereby the Treasury allocated approximately $62,233,000 of federal SSBCI funds to the Authority for specific purposes as outlined in the Allocation Agreement. As per the Allocation Agreement, funds are to be disbursed to the Authority in three separate tranches. The Authority received the first tranche of funding, totaling $19,848,311, in fiscal 2023, of which $992,416, or 5%, was to reimburse the Authority for allowable administrative costs of running the program (see below). The remaining $18,855,895 was for specific program purposes. The Authority received the second tranche of funding, totaling $20,891,570, in fiscal 2024, of which $626,747, or 3%, was to reimburse the Authority for allowable administrative costs of running the program (see below). The remaining $20,264,823 was for specific program purposes. The Authority received the third tranche of funding, totaling $21,493,037, in fiscal 2025, of which $644,791, or 3%, is to reimburse the Authority for allowable administrative costs of running the program (see below). The remaining $20,848,246 is for specific program purposes. Through June 30, 2026, the Authority has disbursed $55,850,920 in program grants, with the remaining $4,118,044 included in unearned grant and scholarship funds on the June 30, 2026 balance sheet.

The Authority received $2,263,954 in total to cover program administrative costs. Through June 30, 2026, the Authority has used $1,211,238, with the remaining $1,052,716 included in unearned grant and scholarship funds on the June 30, 2026 balance sheet. In addition, the Authority has $1,798,068 of investment earnings included in unearned grant and scholarship funds on the June 30, 2026 balance sheet.

15. Fiduciary Component Unit

A summary of investments by asset class is as follows:

Investment Type	NextGen Totals Amount	%
Domestic Equity Funds	$ 7,530,729,902	40.3%
International Equity Funds	3,162,873,991	16.9
Alternative Investment Funds	403,012,669	2.2
Investment Grade Fixed Income Funds	4,678,916,914	25.1
Non-Investment Grade Fixed Income Funds	543,340,239	2.9
Mixed Asset Funds	1,068,590,851	5.7
Cash Allocation Account	659,265,823	3.5
Funding Agreements	334,342,857	1.8
Bank Deposit Accounts	292,137,783	1.6
Total	$ 18,673,211,029	100.0%

Significant Accounting Policies

Investments

Investments are generally measured at fair value, except as described in the paragraphs that follow. Accounting standards categorize fair value measurements according to a hierarchy that is based on the valuation inputs that are used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable.

Most of the Portfolios invest directly in mutual funds and exchange-traded funds (ETFs). The mutual funds and ETFs are reported at fair value, determined based on the net asset value per share or market price as of the close of the New York Stock Exchange on the reporting date (Level 1 inputs). Net realized and unrealized gains and losses are included in "net appreciation in fair value of investments" on the Statement of Changes in Net Position – Fiduciary Funds. Purchases and sales are recorded on a trade date basis. Dividend and capital gain distributions are recorded on the ex-dividend date.

The Cash Allocation Account is a separate account in which certain Portfolios are invested. The underlying assets of the Cash Allocation Account include certificates of deposit, commercial paper, corporate notes, municipal variable rate demand notes, U.S. government sponsored enterprise securities and obligations of the U.S. Treasury, all with short maturities (generally, one year or less at the date of purchase). Each Portfolio's investment in the Cash Allocation Account is evidenced by units of participation in the separate account and is reported at the net asset value per unit, which is determined based on the amortized cost of the investments held in the Cash Allocation Account, plus accrued interest and any other assets, less accrued expenses and any other liabilities, divided by the total number of units outstanding. Due to the short maturities of the investments held in the Cash Allocation Account, amortized cost approximates fair value.

15. Fiduciary Component Unit (Continued)

The funding agreements, issued by New York Life Insurance Company (New York Life) are non-participating, unallocated insurance contracts and are reported at contract value, which is equal to contributions, plus interest credited at a variable rate that resets semi-annually, net of expenses, less withdrawals. Principal, accumulated interest and an interest rate are guaranteed for a designated time period. Such guarantees are made available to the Program, not to an individual participant.

The NextGen Savings Portfolio invests exclusively in an interest-bearing omnibus deposit account held at Fifth Third Bank, N.A. (the Bank Deposit Account). The Bank Deposit Account is reported as the cumulative sum of contributions to the Bank Deposit Account, plus interest credited, less withdrawals.

Fees and Expenses

Fees and expenses reported on the Statement of Changes in Net Position – Fiduciary Funds reflect the fees and expenses of each Portfolio paid from Program Fund assets and do not include any expenses associated with the underlying investments. Each Portfolio indirectly bears its proportional share of the expenses of the underlying investments in which it invests. Accordingly, each Portfolio's investment return will be net of the expenses of the underlying investments and the fees and expenses attributable to that Portfolio.

Federal Income Tax

The Program is designed to comply with the requirements for treatment as a qualified tuition program under Section 529 of the *Internal Revenue Code of 1986*, as amended. No federal income tax provision is required. The earnings portion of non-qualified withdrawals may be subject to a 10% federal tax in addition to applicable federal and state income tax. It is the participant's responsibility to determine whether or not a withdrawal is for qualified higher education expenses and to calculate and report on his or her personal income tax return the taxable amount of non-qualified withdrawals, if any.

Contributions

Individuals and certain types of entities may establish one or more accounts to which cash contributions may be made, subject to minimum contribution requirements, limitations on the aggregate balance of accounts in the Program for the same beneficiary and other terms and limitations defined in the Program Description and Participation Agreement between the participant and the Program. Participants may elect to invest contributions in one or more Portfolios offered through the Client Connect Series, Client Direct Series or Client Select Series. In addition, the Client Select Series Portfolios offer different unit classes, each having a different expense structure. The unit class attributable to a contribution is automatically determined based on the participant's eligible assets (as defined in the Client Select Series Program Description and Participation Agreement), with certain exceptions. Although participants can select the Portfolio(s) into which their contributions are invested, they cannot direct the selection or allocation of the underlying investments composing each Portfolio. Contributions are reported on the Statement of Changes in Net Position – Fiduciary Funds as increases in fiduciary net position on the day they are received by the Program Manager and are net of any applicable sales charges.

15. Fiduciary Component Unit (Continued)

Withdrawals

A participant may direct a withdrawal from an account at any time by notifying the Program Manager by mail, electronically or in any other manner specified by the Program Manager. Following the acceptance and processing of a properly completed withdrawal request by the Program Manager, units held in the participant's account will be redeemed to fulfill the withdrawal. The redeemed units will be valued at the next net asset value(s) calculated after the withdrawal request is accepted by the Program Manager. Generally, a completed withdrawal request is deemed received by the Program Manager on the date and time it is received by the applicable financial intermediary, although the practices of a particular financial intermediary may vary, depending on each financial intermediary's arrangements with the Program regarding the withdrawal of units based on the date and time the request is received by such financial intermediary. After such units are redeemed, the Program Manager will deliver the proceeds to the payee. Withdrawals are reported on the Statement of Changes in Net Position – Fiduciary Funds as decreases in net position on the day they are communicated to the Program Manager. Withdrawals presented on the Statement of Changes in Net Position – Fiduciary Funds include any applicable sales charges.

Investment Risk Disclosures

The Program's investments are exposed to various risks, including, but not limited to, interest rate, market and credit risk. It is at least reasonably possible that exposure to such risks could result in changes in fair values that could occur in the near term, and the changes could materially affect participant balances and amounts reported in the Program's Basic Financial Statements. U.S. GAAP requires that certain disclosures be made related to the Program's investment policy and its exposure to credit risk, interest rate risk and foreign currency risk, which are included in the paragraphs that follow.

Investment Policy

The Program's investment objectives and performance monitoring requirements are set forth in the *Investment Policy and Monitoring Guidelines* adopted by the Board of Directors of the Authority, and most recently amended on March 20, 2025. The policy establishes procedures for evaluating underlying investment performance and qualitative factors, identifying investments requiring enhanced monitoring and considering corrective actions when performance or other investment-related concerns warrant additional review. The Authority has contracted with an independent investment consultant to assist the Authority in the monitoring of investment performance and compliance with policy. Generally, the Program's objectives include providing diverse investment options through the Client Connect Series, the Client Direct Series and Client Select Series, structured for different levels of risk tolerance, time horizons and investment management preferences, while maintaining asset based fees at a competitive level. While the *Investment Policy and Monitoring Guidelines* do not specify permissible investments for the Program or address credit risk, interest rate risk, concentrations of credit risk or foreign currency risk, the assets of each Portfolio are invested according to an allocation strategy recommended by the Program's investment manager and sub-advisors and approved by the Authority. Any changes to the investment allocation strategy must be approved by the Authority.

15. Fiduciary Component Unit (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Portfolios are exposed to credit risk through investments in bond mutual funds and bond ETFs, and also through investments in the funding agreements and investments held in the Cash Allocation Account. None of the mutual funds or ETFs in which the Portfolios are invested are rated as to credit quality by a nationally recognized statistical rating organization (NRSRO). The funding agreements, which are general obligations of New York Life, are not rated by a NRSRO; however, New York Life is rated AA+ by Standard and Poor's.

Custodial Credit Risk

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and they are uncollateralized or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name. The Program's investments in mutual funds and ETFs are not subject to custodial credit risk disclosure requirements. In addition, the funding agreements held in the Principal Plus Portfolio are considered contractual investments, rather than investment securities, and are not exposed to custodial credit risk.

The Cash Allocation Account's investments are registered in the name of State Street as custodian and held in a separate account in the name of the Cash Allocation Account. The Cash Allocation Account may invest in bank deposit products, and these balances are not fully covered by depository insurance, nor are they covered by pledged collateral or supplemental insurance.

Account balances invested in the Bank Deposit Accounts through the NextGen Savings Portfolio are covered by depository insurance at the individual account level, to the extent applicable under FDIC regulations.

Concentration of Credit Risk

A concentration of credit risk is the risk of loss attributed to the magnitude of the Program's investments in a single issuer. Investments in mutual funds, ETFs or securities that are issued or explicitly guaranteed by the U.S. government are not subject to concentration of credit risk disclosure requirements. There are no investments in the Cash Allocation Account that represent 5% or more of the total investments of the Cash Allocation Account.

15. Fiduciary Component Unit (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Certain Portfolios invest in mutual funds and ETFs that are exposed to interest rate risk due to underlying debt securities included in the asset holdings of those funds. In general, the value of a debt security will increase when interest rates decline and decrease when interest rates increase. Prices of longer term securities generally change more in response to interest rate changes than the prices of shorter term securities. Average maturity is a measure of sensitivity to interest rate risk. Average maturity is the average length of time until fixed income securities held by a fund reach maturity and will be repaid, taking into consideration the possibility that the issuer may call the security before its maturity date. In general, the longer the average maturity, the more a fund's value will fluctuate in response to changes in interest rates. As of June 30, 2026, the average maturities of the bond mutual funds and ETFs in which the Portfolios invest ranged from 0.28 years to 26.03 years.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Due to the nature of the Program's investments, the Program does not have any direct exposure to foreign currency risk. Certain mutual funds and ETFs in which the Portfolios invest include foreign securities in their underlying asset holdings, and these mutual funds and ETFs indirectly expose the Program to foreign currency risk. There are certain additional risks involved when investing in foreign securities that are not inherent to investments in domestic securities. These risks may include foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention of currency exchange or other foreign governmental laws or restrictions.

FINANCE AUTHORITY OF MAINE

COMBINING SCHEDULE OF NET POSITION

CUSTODIAL FUNDS

June 30, 2026

	Potato Marketing Improvement Fund	Agricultural Marketing Loan Fund	Small Enterprise Growth Fund	Payroll Processing Insurance Fund
ASSETS HELD FOR OTHERS				
Cash and cash equivalents	$ 2,200,597	$2,063,294	$2,545,537	$ 688,625
Investments	12,953,439	3,137,826	–	1,545,241
Accrued interest receivable	51,451	53,214	–	–
Notes receivable, net	4,261,931	2,112,076	–	–
Total assets	$19,467,418	$7,366,410	$2,545,537	$2,233,866
LIABILITIES				
Accounts payable and other liabilities	$ 28,878	$ 41	$ –	$ –
Total liabilities	$ 28,878	$ 41	$ –	$ –
NET POSITION				
Net position restricted for other agencies	$19,438,540	$7,366,369	$2,545,537	$2,233,866

Northern Maine Transmission Corporation	Maine Rural Development Authority	Dairy Improvement Loan Fund	Compliance Assistance Loan Program	Total Custodial Funds
$ 11,121	$1,075,316	$2,191,510	$ 6,692	$10,782,692
–	–	–	–	17,636,506
–	311,886	–	–	416,551
–	3,402,968	2,626,106	633,249	13,036,330
$ 11,121	$4,790,170	$4,817,616	$ 639,941	$41,872,079
$ –	$ 1,283	$ 117	$ –	$ 30,319
$ –	$ 1,283	$ 117	$ –	$ 30,319
$ 11,121	$4,788,887	$4,817,499	$ 639,941	$41,841,760

FINANCE AUTHORITY OF MAINE

COMBINING SCHEDULE OF CHANGES IN NET POSITION

CUSTODIAL FUNDS

June 30, 2026

	Potato Marketing Improvement Fund	Agricultural Marketing Loan Fund	Small Enterprise Growth Fund	Payroll Processing Insurance Fund
ADDITIONS				
Appropriations	$ –	$ –	$ 500,000	$ –
Investment income	1,544,955	751,819	123,823	96,490
Other receipts	211,702	73,475	42	–
Total additions	1,756,657	825,294	623,865	96,490
DEDUCTIONS				
Grants	46,183	–	–	–
Provision for losses on loans	–	–	–	–
Other operating expenses	324,725	42,836	1,662,090	1,799
Total deductions	370,908	42,836	1,662,090	1,799
Net increase (decrease)	1,385,749	782,458	(1,038,225)	94,691
Net position at beginning of year	18,052,791	6,583,911	3,583,762	2,139,175
Net position at end of year	$19,438,540	$7,366,369	$ 2,545,537	$2,233,866

Northern Maine Transmission Corporation	Maine Rural Development Authority	Dairy Improvement Loan Fund	Compliance Assistance Loan Program	Total Custodial Funds
$ –	$ –	$ 453,620	$ 174,255	$ 1,127,875
431	40,852	90,243	2,156	2,650,769
–	227,222	29,069	14,815	556,325
431	268,074	572,932	191,226	4,334,969
–	–	–	–	46,183
–	1,283,362	–	–	1,283,362
–	65,550	53,684	575,932	2,726,616
–	1,348,912	53,684	575,932	4,056,161
431	(1,080,838)	519,248	(384,706)	278,808
10,690	5,869,725	4,298,251	1,024,647	41,562,952
$11,121	$ 4,788,887	$4,817,499	$ 639,941	$41,841,760