



VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

**Financial Statements
with Supplementary Information**

**as of and for the Years Ended
June 30, 2014 and 2013**

(and Report of Independent Auditors')



VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

Financial Statements with Supplementary Information

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Report on Management's Responsibility

September 10, 2014

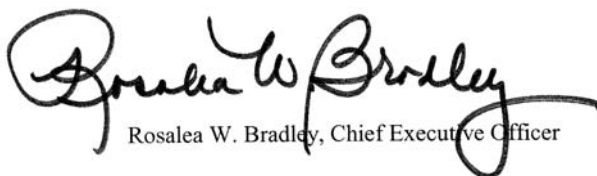
Management is responsible for the preparation, integrity and objectivity of this report, the *Financial Statements with Supplementary Information* of the Vermont Economic Development Authority ("VEDA" or the "Authority"). The report was prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), applying certain estimates and judgments as required.

The Authority's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established policies and procedures and are implemented by trained, skilled personnel. The Authority's employment policy prescribes that VEDA and all of its employees maintain the highest ethical standards and that its business practices be conducted in a manner that is above reproach.

KPMG LLP, independent auditors, is retained to audit the Authority's financial statements. Their accompanying report is based on an audit conducted in accordance with auditing standards generally accepted in the United States of America, which include consideration of the Authority's internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied.

The Members of the Authority fulfill their responsibility for these financial statements through the Authority's Audit Committee, which is comprised of a subset of its Members. The Audit Committee meets periodically with the independent auditors, both privately and with management present, to review accounting, auditing, internal controls and financial reporting matters.

The undersigned management of the Authority certify to the accuracy and completeness of the information contained in these *Financial Statements with Supplementary Information* and to the maintenance and effectiveness of disclosure controls and procedures.


Rosalea W. Bradley, Chief Executive Officer


David E. Carter, Chief Financial Officer



KPMG LLP
Suite 400
356 Mountain View Drive
Colchester, VT 05446

Independent Auditors' Report

The Members of the Authority
Vermont Economic Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Vermont Economic Development Authority (the Authority), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Vermont Economic Development Authority, as of June 30, 2014 and 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Supplementary and Other 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 supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Burlington, Vermont
September 9, 2014

Vermont Economic Development Authority
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
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Introduction

The Vermont Economic Development Authority ("VEDA" or the "Authority") is an instrumentality of the State of Vermont (the "State") whose purpose is to promote economic development in Vermont by providing various forms of financial assistance to commercial and agricultural enterprises.

The financial statements consist of three main parts: management's discussion and analysis ("MD&A"); the basic financial statements which provide both short-term and long-term information about the Authority's overall financial status; and the notes to the financial statements which are an integral part of the report as they provide additional explanation and more detailed information regarding the amounts in the basic financial statements and other significant aspects of the Authority's operations.

The Basic Financial Statements

There are three statements that comprise the basic financial statements. The **Statement of Net Position** presents information on the Authority's assets and liabilities with the difference between the two reported as Net Position (sometimes referred to as capital or equity). This statement is presented as of the Authority's year end, June 30.

The **Statement of Revenues, Expenses and Changes in Net Position** reports operating revenues and expenses incurred in the normal course of business (operating income or loss) plus non-operating revenues and expenses such as non-exchange transactions including federal grants, transfers between entities and other transactions of an unusual or non-recurring nature.

The **Statement of Cash Flows** reports on the sources of changes in cash and cash equivalents for the year. Activities that effect the changes in cash are grouped into four categories: (1) operating activities; (2) non-capital financing activities (operating debt and non-operating related activities); (3) investing activities; and (4) capital related financing activities (purchase and financing of capital assets).

GASB pronouncements define VEDA as a special-purpose governmental entity that is engaged in business type activities. As such, VEDA has many characteristics of a for-profit enterprise. The business type activity with characteristics most similar to VEDA is that of a financial institution. For this reason, **Table 3** presents amounts from the *Statement of Revenues, Expenses and Changes in Net Position* in a format typical for financial institutions. In this format, revenue from cash and investments is added to loan receivable interest and interest expense is subtracted to arrive at a subtotal caption "Net Interest Income". The changes in Net Interest Income are discussed in a special section of the MD&A and presented using analytic techniques found in the MD&A section of many financial institutions (refer to **Tables 5-8**). **Table 12** in the section titled *Asset-Liability Management* is also a presentation used in the MD&A of many financial institutions.

VEDA Flood Loans

At the end of fiscal 2011, the Authority initiated a loan program for small businesses impacted by heavy rains and flooding that occurred in the spring of 2011. These "spring flood" loans had a maximum loan amount of \$25. The Authority made 53 of these loans for a total of \$1,073. When Tropical Storm Irene devastated many parts of Vermont in late August 2011, VEDA responded quickly with loans of up to \$100 to assist small businesses and family farms. VEDA made 299 of these loans for a total of \$16,690. The combined outstanding balance of the spring flood and Tropical Storm Irene loan programs (collectively the "flood loans") totaled \$10,822 and \$14,279 at June 30, 2014 and 2013, respectively.

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Statement of Net Position: Comparison 2012 to 2013 and 2013 to 2014

Table 1 compares the Statement of Net Position of VEDA for 2012-2014.

Table 1: Statement of Net Position				2012 to 2013		2013 to 2014	
<i>Fiscal Years</i>	2012	2013	2014	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
Cash and investments	\$ 33,098	\$ 30,830	\$ 40,534	\$ (2,268)	-7%	\$ 9,704	31%
Loans receivable	166,295	176,928	192,538	10,633	6%	15,610	9%
Allowance for loan losses	(4,743)	(5,642)	(5,942)	(899)	19%	(300)	5%
Capital assets	5,516	5,480	5,894	(36)	-1%	414	8%
Other assets	1,084	1,010	1,438	(74)	-7%	428	42%
Total Assets	\$ 201,250	\$ 208,606	\$ 234,462	\$ 7,356	4%	\$ 25,856	12%
Commercial paper	\$ 116,300	\$ 131,300	\$ 145,500	\$ 15,000	13%	\$ 14,200	11%
Notes payable	34,375	26,075	22,446	(8,300)	-24%	(3,629)	-14%
Other liabilities	5,639	2,661	11,877	(2,978)	-53%	9,216	346%
Total Liabilities	156,314	160,036	179,823	3,722	2%	19,787	12%
Restricted net position	27,330	26,757	26,954	(573)	-2%	197	1%
Net investment in capital assets	2,520	2,610	3,154	90	4%	544	21%
Unrestricted net position	15,086	19,203	24,531	4,117	27%	5,328	28%
Total Net Position	44,936	48,570	54,639	3,634	8%	6,069	12%

Total assets increased \$25,856 in 2014, which followed an increase in total assets of \$7,356 in 2013. The primary reason for the increase in total assets in 2014 and 2013 was the change in loans receivable. The increase in outstanding loans receivable of \$15,610 and \$10,633 in 2014 and 2013, respectively was funded primarily by an increase in the Authority's commercial paper of \$14,200 and \$15,000 in 2014 and 2013, respectively (Note 5). Notes payable decreased by \$3,629 in 2014, the result of a decline in the outstanding balance on the Authority's line of credit from \$17,500 at the end of 2013 to \$3,500 at the end of 2014, offset by \$10,000 in new borrowings from the State. Notes payable decreased by \$8,300 in 2013 due primarily to a decline in the outstanding balance on the Authority's line of credit from \$25,500 at June 30, 2012 to \$17,500 at June 30, 2013.

Table 2: Loans Receivable - Disbursement & Payment Activity				2012 to 2013		2013 to 2014	
<i>Fiscal Years</i>	2012	2013	2014	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
Principal Disbursements	\$ 55,191	\$ 37,525	\$ 51,288	\$ (17,666)	-32%	\$ 13,763	37%
Principal Payments	(25,719)	(26,912)	(34,231)	(1,193)	5%	(7,319)	27%
Net Disbursements and Payments	\$ 29,472	\$ 10,613	\$ 17,057	\$ (18,859)	-64%	\$ 6,444	61%

Table 2 shows disbursements on loans receivable were \$51,288 in 2014, near the \$55,191 level reached in 2012, the year when the majority of Flood Loans were disbursed. In 2013, disbursements were \$37,525, a decline of \$17,666 compared to 2012 and \$13,763 less than in 2014. Principal receipts on loans receivable increased by \$7,319 in 2014 compared with 2013 and increased \$1,193 in 2013 compared with 2012.

Allowance for loan losses is discussed in detail under the heading *Credit Risk Management* and in Note 4 of the financial statements.

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Capital assets increased by \$414 in 2014 due to capital asset purchases of \$746, offset by depreciation of \$332. In 2013 capital assets decreased by \$36 due to depreciation of \$255 offset by capital asset purchases of \$219. The primary capital improvements in 2014 included a complete renovation of the smaller 56 East State Street building as well as leasehold improvements and furniture and fixtures for the expanded Burlington office.

Other assets increased by \$428 in 2014, primarily the result of a \$393 "Receivable from State of Vermont" related to losses on contingent liabilities (Note 10). There was a decrease in Other Assets of \$74 in 2013 due mainly to a decrease in the accrued interest on loans receivable of \$82.

Other liabilities increased \$9,216 in 2014 due primarily to a \$5,500 addition to "Other Liability – State of Vermont" (Note 12, "Advances") and an increase in "Deferred revenue for federal program" (Note 14) of \$4,382. The decline of \$2,978 in 2013 was primarily the result of decreases in these same two items.

Total Net Position increased by \$6,069 in 2014 due almost entirely to a like amount of non-operating revenue that was primarily comprised of federal grant revenue and non-operating revenues from the State. In 2013, Net Position increased \$3,634, again due primarily to non-operating revenue of \$3,293 from the same federal and state sources.

Revenues, Expenses and Changes in Net Position: Comparison of 2012 to 2013 and 2013 to 2014

Table 3 shows the change in net position (results of operations) in each of the past three fiscal years and details the amount and percent of change from 2012 to 2013 and from 2013 to 2014.

Table 3: Revenues, Expenses & Changes in Net Position				2012 to 2013		2013 to 2014	
<i>Fiscal Years</i>	2012	2013	2014	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
Cash and investment revenue	\$ 489	\$ 479	\$ 504	\$ (10)	-2%	\$ 25	5%
Loans receivable interest	5,131	5,568	6,320	437	9%	752	14%
less interest expense	1,747	1,913	1,766	166	10%	(147)	-8%
Net Interest Income	\$ 3,873	\$ 4,134	\$ 5,058	\$ 261	7%	\$ 924	22%
Add other revenues	1,005	974	952	(31)	-3%	(22)	-2%
Net increase in the FV of investment:	510	867	1,325	357	70%	458	53%
Less provision for loan losses	1,192	911	1,747	(281)	-24%	836	92%
Less losses on insured loans	1	23	393	22	2200%	370	1609%
Less All Other Expenses:							
Staff salaries and benefits	2,797	3,142	3,152	345	12%	10	0%
Professional fees	486	512	671	26	5%	159	31%
Office and administrative	829	791	1,035	(38)	-5%	244	31%
Depreciation	243	255	332	12	5%	77	30%
Total All Other Expenses	4,355	4,700	5,190	345	8%	490	10%
Operating (Loss) Income	\$ (160)	\$ 341	\$ 5	\$ 501	-313%	\$ (336)	-99%
Non-operating revenues	2,444	3,293	6,064	849	35%	2,771	84%
Change in Net Position	\$ 2,284	\$ 3,634	\$ 6,069	\$ 1,350	59%	\$ 2,435	67%

In 2014, VEDA recorded a change in net position (i.e. net income) of \$6,069 compared to a change in net position of \$3,634 in 2013 and compared to a change in net position of \$2,284 in 2012. The change in net position in both 2014 and 2013 were primarily the result of non-operating revenue as discussed in the "Total Net Position" above.

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The change in net interest income, the core of the Authority's operations, changes year to year based on changes in yields and costs and also changes in the average balance of cash and investments, loans receivable and debt outstanding during the year. **The changes are discussed in more detail in the section *Changes in Net Interest Income*.**

Other Revenues is comprised primarily of fees paid by borrowers, rental income, and fees for servicing non-VEDA programs. Other Revenues decreased by \$22 in 2014, due primarily to a decrease in borrower loan fees offset by a recovery of \$41 related to a prior period Mortgage Insurance Program loss. In 2013, Other Revenues declined \$31 compared to 2012 mostly due to a decline in borrower loan fees.

Table 4 details the **net change in the fair value of investments**, including unrealized and realized gains and losses. Fair values of investments can fluctuate significantly year to year due to changes in interest rates and the credit risk associated with investment issuers:

Table 4: Change in Fair Value of Investments				2012 to 2013		2013 to 2014	
<i>Amounts in thousands</i>	2012	2013	2014	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
Unrealized gains	\$ 111	\$ 481	\$ 236	\$ 370	333%	\$ (245)	-51%
Realized gains	399	386	1,089	(13)	-3%	703	182%
Net Change in Fair Value	\$ 510	\$ 867	\$ 1,325	\$ 357	70%	\$ 458	53%

In 2014, VEDA sold its professionally managed investment portfolio and invested the proceeds in a mix of mutual funds whose underlying securities mirror various market indices (Note 3).

Provision for loan losses increased in 2014 after two years of declining provisions in 2013 and 2012. The 2014 loan loss provisions totaled \$1,747 compared with loan loss provisions in 2013 of \$911 and loan loss provisions of \$1,192 in 2012. More detailed information regarding loan loss provisions and the changes in the allowance for loan losses ("reserves") can be found in this section under the caption *Credit Risk Management* and in Note 4 to the basic financial statements.

Losses on insured loans are related losses in the Mortgage Insurance and Financial Access Programs and are described in Note 10.

All other expenses increased \$490 or 10% compared to an increase of \$345 or 8% in 2013. The components are discussed in more detail below:

Staff salaries and benefits in 2014 were essentially flat with the 2013 levels due to lower healthcare costs resulting from a full year contribution to employee health savings accounts in 2013 and only 6 months of contributions in 2014; excluding this difference, staff salaries and benefits would have increased 2.2%. In 2013, staff salaries and benefits increased by \$345 or 12% due to increased costs and the addition of new staff members.

Professional fees increased \$159 or 31% in 2014 due to increases in consulting and collection expenses. In 2013, Professional fees increased \$26 or 5%. In addition to auditing and legal expense, the Authority uses consultants for information technology, loan work outs, human resource management, collateral inspections and appraisals. Legal and consulting expenses related to debt collection are classified as collection expense within the professional fees group.

Office and administrative expenses increased \$244 or 31% with the most significant increases coming in computer expense, rent expense and marketing. In 2013, office and administrative expenses decreased \$38 or -5% due mostly to a decrease in marketing expenses of \$22 and other variances.

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Changes in Net Interest Income: 2013 To 2014

Table 5 sets forth information regarding the total dollar amount of interest income earned on interest earning assets (excluding the change in fair value) and the resultant average yields; and the total dollar amount of interest expense on interest bearing liabilities and the resultant average cost. Information is based on average monthly balances.

Table 5: Average Balance and Yield/Cost Comparison, 2013 to 2014

(Table excludes Net Increase in Fair Value)

Interest Earning Assets and Interest Bearing Liabilities	2013			2014			Income or Expense Change
	Average Balance	Income or Expense	Yield or Cost	Average Balance	Income or Expense	Yield or Cost	
Interest earning assets and income:							
Cash and investments	\$ 32,589	\$ 479	1.47%	\$ 37,042	\$ 504	1.36%	\$ 25
Loans receivable, net of allowance	169,707	5,567	3.28%	180,982	6,320	3.49%	753
Total interest earning assets	\$ 202,296	\$ 6,046	2.99%	\$ 218,024	\$ 6,824	3.13%	\$ 778
Interest bearing liabilities and expense:							
Notes payable	\$ 28,091	\$ 370	1.32%	\$ 28,206	\$ 343	1.22%	\$ (27)
Commercial paper	129,800	1,543	1.19%	136,980	1,423	1.04%	(120)
Total interest bearing liabilities	\$ 157,891	\$ 1,913	1.21%	\$ 165,186	\$ 1,766	1.07%	\$ (147)
Net Interest Income (and as % of earning assets)		\$ 4,133	2.04%		\$ 5,058	2.32%	\$ 925

Table 5 indicates the average yield on earning assets increased from 2.99% in 2013 to 3.13% in 2014. The average cost of interest bearing liabilities decreased from 1.21% in 2013 to 1.07% in 2014.

Table 6: Change in Net Interest Income From 2013 to 2014

(Table excludes Net Increase in Fair Value)

For Year Ended June 30, 2014 and 2013 Increases (Decreases) Due To Changes In:	Rate	Average Balance	Rate/ Balance	Total
Income on interest earning assets:				
Cash and investments	\$ (35)	\$ 65	\$ (5)	\$ 25
Loans receivable, net of allowance	359	370	24	753
Total income on interest earning assets	324	435	19	778
Expense on interest bearing liabilities:				
Notes payable	(29)	2	0	(27)
Commercial paper	(194)	85	(11)	(120)
Total expense on interest bearing liabilities	(223)	87	(11)	(147)
Changes in net interest income	\$ 547	\$ 348	\$ 30	\$ 925

Table 6 sets forth information regarding changes in interest income and interest expense for 2013 compared to 2014. For each category of interest earning assets and interest bearing liabilities presented in **Table 5**, information is presented in **Table 6** with respect to: (1) Change in rate (change in rate multiplied by prior year average balance); (2) Change in balance (change in average balance multiplied by prior year rate); and (3) Change in rate/balance (change in rate multiplied by change in average balance).

Table 6 shows that *Total Income on Interest Earning Assets* increased by \$778 in 2014 compared with 2013 due to an increase in both average balances and in rates. *Total Expense on Interest Bearing Liabilities* decreased by \$147 in 2014 due to lower rates being offset by higher average balances.

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Table 7 below sets forth the same information as **Table 5**, but for the fiscal years 2012 and 2013.

Table 7: Average Balance and Yield/Cost Comparison, 2012 to 2013

(Table excludes Net Increase in Fair Value)

Interest Earning Assets and Interest Bearing Liabilities	2012			2013			Income or Expense Change
	Average Balance	Income or Expense	Yield or Cost	Average Balance	Income or Expense	Yield or Cost	
Interest earning assets and income:							
Cash and investments	\$ 31,392	\$ 489	1.56%	\$ 32,589	\$ 479	1.47%	\$ (10)
Loans receivable, net of allowance	151,501	5,131	3.39%	169,707	5,568	3.28%	437
Total interest earning assets	\$ 182,893	\$ 5,620	3.07%	\$ 202,296	\$ 6,047	2.99%	\$ 427
Interest bearing liabilities and expense:							
Notes payable	\$ 26,252	\$ 353	1.34%	\$ 28,091	\$ 370	1.32%	\$ 17
Commercial paper	113,225	1,394	1.23%	129,800	1,543	1.19%	149
Total interest bearing liabilities	\$ 139,477	\$ 1,747	1.25%	\$ 157,891	\$ 1,913	1.21%	\$ 166
Net Interest Income (and as % of earning assets)		\$ 3,873	2.12%		\$ 4,134	2.04%	\$ 261

Table 8 below presents the same information regarding **Table 7** for 2012 with 2013 as **Table 6** presented relative to **Table 5** for fiscal years 2013 with 2014.

Table 8: Change in Net Interest Income From 2012 to 2013

(Table excludes Net Increase in Fair Value)

For Year Ended June 30, 2013 and 2012 Increases (Decreases) Due To Changes In:	Rate	Average Balance	Rate/ Balance	Total
Income on interest earning assets:				
Cash and investments	\$ (28)	\$ 19	\$ (1)	\$ (10)
Loans receivable, net of allowance	(161)	617	(19)	437
Total income on interest earning assets	(189)	636	(20)	427
Expense on interest bearing liabilities:				
Notes payable	(7)	25	(1)	17
Commercial paper	(48)	204	(7)	149
Total expense on interest bearing liabilities	(55)	229	(8)	166
Changes in net interest income	\$ (134)	\$ 407	\$ (12)	\$ 261

Statement of Cash Flows

Table 9 on the following page is a cash flow statement that provides important information about how the Authority utilizes the cash flows from its business operations. Operations are grouped by four categories of activities: *Operating Activities* include the disbursing and collecting on loans receivable and paying for operating expenses; *Non-Capital Financing Activities* include proceeds and payments on notes payable and commercial paper, as well as non-operating revenues or expenses; *Investing Activities* are the result of investment purchases and sales; and *Capital Investment Activities* include the purchase and the financing of capital assets and related repayments.

Table 9 illustrates how in 2014 and in 2013 the disbursements on loans receivable were greater than principal payments received (*Operating Activities*). This need for cash to fund the net outflow to VEDA borrowers resulted in an increase in cash provided by borrowings (*Non-Capital Financing Activities*).

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Table 9: Statement of Cash Flows				2012 to 2013		2013 to 2014	
<i>Fiscal Years</i>	2012	2013	2014	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
<i>Cash flows provided by or (used for) various activities are presented as positive or (negative) numbers, respectively:</i>							
Principal payments received	\$ 25,719	\$ 26,912	\$ 34,231	\$ 1,193	5%	\$ 7,319	27%
Principal disbursed on loans	(55,191)	(37,525)	(51,288)	17,666	-32%	(13,763)	37%
All other operating activities	1,405	2,364	2,281	959	68%	(83)	-4%
Operating Activities	\$ (28,067)	\$ (8,249)	\$ (14,776)	\$ 19,818	-71%	\$ (6,527)	79%
Non-capital financing activities	32,249	5,041	23,619	(27,208)	-84%	18,578	369%
Investing activities	782	1,770	(2,695)	988	126%	(4,465)	-252%
Capital investment activities	(906)	(441)	(969)	465	-51%	(528)	120%
Net increase (decrease) in cash and cash equivalents	\$ 4,058	\$ (1,879)	\$ 5,179	\$ (5,937)	-146%	\$ 7,058	-376%

Cash flows from *Investing Activities* in 2012 and 2013 were positive (i.e. cash was withdrawn), but in 2014 the Authority invested cash rather than withdrawing cash from its investment portfolio.

Credit Risk Management

Credit risk is the risk that a borrower will default on the obligation to repay their debts. To provide for this risk the Authority maintains allowances for loan losses (“reserves”) on specific loans receivable where a loss is determined to be probable. It also maintains general reserves that are estimated based on historical loss experience, economic conditions, industry concentration and expectation of future events that would adversely affect VEDA borrowers. Integral to VEDA’s mission is the challenge of meeting its economic development objectives while maintaining a prudent level of credit risk.

Table 10 details the specific and general reserves and the total reserves as a percentage of outstanding loans receivable balances at June 30, 2012, 2013 and 2014.

Table 10: Specific and General Allowance for Loan Losses ('Reserves') at June 30

Total for Years Ending	Total Notes Receivable at June 30:	Specific Reserves at June 30:	General Reserves at June 30:	Total Reserves at June 30:	Reserves as a % of Total Notes Receivable		
					Specific	General	Total
2014	\$ 192,538	\$ 2,757	\$ 3,185	\$ 5,942	1.43%	1.65%	3.09%
2013	\$ 176,928	\$ 3,130	\$ 2,512	\$ 5,642	1.77%	1.42%	3.19%
2012	\$ 166,294	\$ 2,312	\$ 2,431	\$ 4,743	1.39%	1.46%	2.85%

The Authority’s reserves at June 30, 2014 totaled \$5,942 or 3.09% of outstanding loans receivable. This compares to an allowance of \$5,642 or 3.19% of outstanding loans receivable at the end of 2013 and to an allowance of \$4,743, or 2.85% of the outstanding loans receivable at the end of 2012. Changes in the allowance are due primarily to provisions for losses combined with loans that have been charged-off against the reserves. More detail on the changes in the reserves can be found in Note 4 of the financial statements.

Vermont Economic Development Authority
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 Dollar Amounts in Thousands

Capital Adequacy

Table 11 details the Authority's net position, (equity or capital) as a percentage of total assets at June 30, 2014, 2013 and 2012. The Authority must maintain strong net position levels relative to total assets to enable it to borrow at favorable terms in the capital markets.

Table 11: Net Position as a % of Total Assets

<i>As of June 30:</i>	VJF	VACC	VSBDC	VEDA
2014	27%	17%	19%	23%
2013	27%	18%	19%	23%
2012	30%	18%	5%	22%

The increase in the ratio of net position to total assets in the VSBDC from 5% in 2012 to 19% in 2013 is due to the combination of the increase in net position of \$2,377 and the decline in assets outstanding of \$8,372 related to the transfer of loans receivable from the VSBDC to the VJF. This transfer also accounts for the decline in the ratio of net position to total assets in the VJF from 30% to 27%.

Asset-Liability Management

Asset-Liability Management is the management of the various risks inherent in financial instruments such as investments, loans and debt. One significant risk is market risk, or the sensitivity of future income to changes in interest rates. Management minimizes market risk primarily by matching the variable characteristics of its loans as closely as possible with the variable characteristics of its underlying debt.

Table 12 is a "Gap Analysis," and shows the "gap" or the mismatching of assets, liabilities and net position within various time horizons based on the earlier of the next interest rate reset date for variable rate instruments or maturity date:

Table 12: Gap Repricing/Maturity Analysis

Repricing Horizon at June 30, 2014	Within 3 Months	3 Months to 1 Year	1 year to 5 Years	5 years to 25 Years	Non-Earning Non-Costing	Total
Cash and cash equivalents	\$ 9,342	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,342
Investments	37	111	16,309	10,638	4,097	31,192
Loans receivable	149,238	2,954	13,371	21,033	0	186,596
Other	0	0	0	0	7,332	7,332
Total assets	\$ 158,617	\$ 3,065	\$ 29,680	\$ 31,671	\$ 11,429	\$ 234,462
Debt	\$ 148,978	\$ 10,434	\$ 1,868	\$ 6,666	\$ 0	\$ 167,946
Other liabilities & net position	0	0	0	0	66,516	66,516
Total liabilities & net position	\$ 148,978	\$ 10,434	\$ 1,868	\$ 6,666	\$ 66,516	\$ 234,462
Repricing "Gap"	\$ 9,639	\$ (7,369)	\$ 27,812	\$ 25,005	\$ (55,087)	0

At June 30, 2014, the Authority's three month "repricing gap" indicates that \$9,639 more assets either mature or have interest rates that reset within the next three months than liabilities. When more assets than liabilities mature or reprice in a period of rising interest rates, net interest income would increase; conversely, when interest rates decline, net interest income would decrease. At June 30, 2013, the three month repricing gap was \$4,350 more liabilities than assets maturing or repricing.

Vermont Economic Development Authority
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
Dollar Amounts in Thousands

Table 12 also illustrates the degree to which Management is successful in matching the amount of debt repricing in any period with the amount of loans receivable repricing in the same period. **Table 10** indicates that the \$148,978 of debt repricing in the next three months is used to fund the \$149,238 of loans that also reprice in the next three months.

Interest Rate Subsidy Program

The core of the Authority's business, and the primary source of its total operating revenue, comes from loans receivable interest (interest on loans). VEDA must set the interest rates on its loans at a level that will generate sufficient revenues, when combined with interest on cash and investments and other revenue, to offset the Authority's interest expense, loan losses and overhead costs.

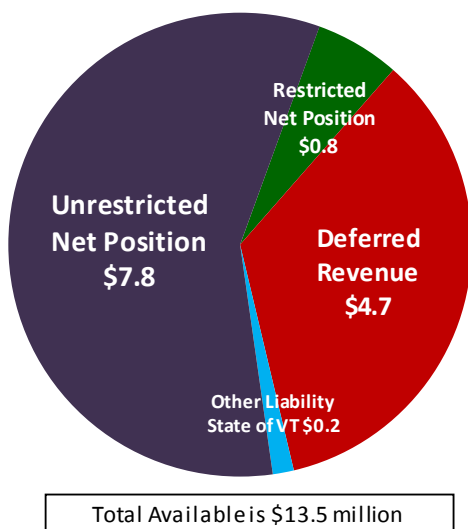
In an effort to foster economic development, to stimulate economic activity, and to provide assistance to targeted businesses, VEDA uses state and federal resources for an interest rate subsidy program (Note 12). The resources allow VEDA to offer loan rates below the level necessary to fully cover operating costs (a "subsidy").

Table 13 shows funds received since fiscal year 2000 from various sources to be used for interest subsidies. Subsidy funds have come to VEDA in several forms including appropriations, grants, debt forgiveness, and advances and are detailed in written agreements between VEDA and the federal or state granting entity. These agreements often include restrictions regarding how and when the funds are used.

Table 13: Subsidy Funds Provided, Used & Available

Fiscal Years:	2000 - 2002	2003 - 2007	2008 - 2014
Provided	\$ 3,352	\$ 4,802	\$ 20,121
Used	483	5,029	9,285
Available (Cumulative)	\$ 2,869	\$ 2,642	\$ 13,478

VEDA Interest Subsidy Funds on Statement of Net Position at June 30, 2014
 (in millions)



When the Authority receives subsidy funds they are recorded in the financial statements as non-operating revenue, deferred revenue or other liability based on stipulations in the agreement with the granting entity. In some cases this means the revenues provided for interest subsidies are earned in the period received and used to fund interest subsidies over future periods (from net position).

The **GRAPH** to the left shows that at June 30, 2014 the Authority had \$13,478 of resources that have been either restricted or internally allocated for interest rate subsidies. The balances represent interest subsidy funds received by VEDA that have not yet been used (or earned) on either interest subsidy commitments to existing borrowers or for subsidies on loans yet to be made. The largest category, *Unrestricted Net position* totaling \$7,809 represents the portion of unrestricted net position that has been internally allocated by management and the Members for future subsidies.

If there are questions regarding the information contained in this report, please contact the Authority's Chief Financial Officer, David E. Carter. Also, visit the VEDA website at www.veda.org

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Net Position as of June 30, 2014
All Dollar Amounts in Thousands

<u>Assets</u>	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Current Assets:					
Cash and cash equivalents:					
Unrestricted	\$ 1,451	\$ 138	\$ 603	\$ 878	\$ 3,070
Restricted	<u>6,209</u>	<u>0</u>	<u>0</u>	<u>63</u>	<u>6,272</u>
Total cash and cash equivalents	7,660	138	603	941	9,342
Loans receivable	18,273	8,486	2,754	104	29,617
Accrued interest receivable	145	113	44	3	305
Receivable from State of Vermont	0	0	0	393	393
Other assets	<u>539</u>	<u>188</u>	<u>13</u>	<u>0</u>	<u>740</u>
Total current assets	26,617	8,925	3,414	1,441	40,397
Investments					
Unrestricted	6,494	0	0	0	6,494
Restricted	<u>24,097</u>	<u>601</u>	<u>0</u>	<u>0</u>	<u>24,698</u>
Total investments	30,591	601	0	0	31,192
Loans receivable, less current portion	80,915	63,556	16,618	1,832	162,921
Less allowance for loan losses	<u>(3,577)</u>	<u>(607)</u>	<u>(1,582)</u>	<u>(176)</u>	<u>(5,942)</u>
Loans receivable, less current portion, net of allowance	77,338	62,949	15,036	1,656	156,979
Capital assets, net of accumulated depreciation	<u>5,894</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,894</u>
Total assets	\$ 140,440	\$ 72,475	\$ 18,450	\$ 3,097	\$ 234,462
Liabilities					
Current Liabilities:					
Commercial paper	\$ 145,500	\$ 0	\$ 0	\$ 0	\$ 145,500
Interfund notes (receivable) payable	(67,675)	57,375	10,300	0	0
Notes payable	10,134	3,500	228	49	13,911
Escrow and reserve accounts	76	0	0	58	134
Accounts payable and accrued expenses	578	107	0	0	685
Interfund accounts payable (receivable)	716	(811)	73	22	0
Due to State of Vermont	0	0	0	3	3
Other liability - State of Vermont	5,846	0	32	0	5,878
Reserve for losses on insured loans	0	0	0	393	393
Deferred revenue for federal program	4,659	0	0	0	4,659
Accrued interest payable	<u>92</u>	<u>4</u>	<u>19</u>	<u>10</u>	<u>125</u>
Total current liabilities	99,926	60,175	10,652	535	171,288
Notes payable, less current portion	2,606	0	4,252	1,677	8,535
Total liabilities	\$ 102,532	\$ 60,175	\$ 14,904	\$ 2,212	\$ 179,823
Net Position					
Restricted net position	25,744	1,210	0	0	26,954
Net investment in capital assets	3,154	0	0	0	3,154
Unrestricted net position	<u>9,010</u>	<u>11,090</u>	<u>3,546</u>	<u>885</u>	<u>24,531</u>
Total net position	\$ 37,908	\$ 12,300	\$ 3,546	\$ 885	\$ 54,639

See accompanying notes to the basic financial statements

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Net Position as of June 30, 2013
All Dollar Amounts in Thousands

<u>Assets</u>	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Current Assets:					
Cash and cash equivalents:					
Unrestricted	\$ 666	\$ 612	\$ 1,038	\$ 687	\$ 3,003
Restricted	<u>1,054</u>	<u>0</u>	<u>0</u>	<u>106</u>	<u>1,160</u>
Total cash and cash equivalents	1,720	612	1,038	793	4,163
Loans receivable	10,984	7,218	2,974	123	21,299
Accrued interest receivable	146	110	32	5	293
Other assets	<u>471</u>	<u>238</u>	<u>4</u>	<u>4</u>	<u>717</u>
Total current assets	13,321	8,178	4,048	925	26,472
Investments					
Unrestricted	2,081	0	0	0	2,081
Restricted	<u>24,040</u>	<u>546</u>	<u>0</u>	<u>0</u>	<u>24,586</u>
Total investments	26,121	546	0	0	26,667
Loans receivable, less current portion	75,067	60,422	18,538	1,602	155,629
Less allowance for loan losses	<u>(3,981)</u>	<u>(563)</u>	<u>(1,004)</u>	<u>(94)</u>	<u>(5,642)</u>
Loans receivable, less current portion, net of allowance	71,086	59,859	17,534	1,508	149,987
Capital assets, net of accumulated depreciation	<u>5,480</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,480</u>
Total assets	\$ 116,008	\$ 68,583	\$ 21,582	\$ 2,433	\$ 208,606
Liabilities					
Current Liabilities:					
Commercial paper	\$ 131,300	\$ 0	\$ 0	\$ 0	\$ 131,300
Interfund notes (receivable) payable	(53,250)	38,700	14,550	0	0
Notes payable	130	17,500	201	24	17,855
Escrow and reserve accounts	49	0	0	76	125
Accounts payable and accrued expenses	707	84	0	0	791
Interfund accounts payable (receivable)	1,621	200	(1,760)	(61)	0
Due to State of Vermont	14	0	0	43	57
Other liability - State of Vermont	737	0	573	0	1,310
Deferred revenue for federal program	277	0	0	0	277
Accrued interest payable	<u>41</u>	<u>31</u>	<u>19</u>	<u>10</u>	<u>101</u>
Total current liabilities	81,626	56,515	13,583	92	151,816
Notes payable, less current portion	2,740	0	4,004	1,476	8,220
Total liabilities	\$ 84,366	\$ 56,515	\$ 17,587	\$ 1,568	\$ 160,036
Net Position					
Restricted net position	25,360	1,397	0	0	26,757
Net investment in capital assets	2,610	0	0	0	2,610
Unrestricted net position	<u>3,672</u>	<u>10,671</u>	<u>3,995</u>	<u>865</u>	<u>19,203</u>
Total net position	\$ 31,642	\$ 12,068	\$ 3,995	\$ 865	\$ 48,570

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

All Dollar Amounts in Thousands

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Operating Revenues:					
Cash and investment revenue	\$ 496	\$ 1	\$ 5	\$ 2	504
Net increase in fair value of investments	1,325	0	0	0	1,325
Loans receivable interest	2,533	2,846	850	91	6,320
Other revenues	555	155	33	209	952
Total operating revenues	4,909	3,002	888	302	9,101
Operating Expenses:					
Interest on commercial paper and notes payable	1,502	206	42	16	1,766
Interfund interest (revenue) expense	(591)	452	139	0	0
Provision for loan losses	772	80	813	82	1,747
Provision for losses on insured loans	0	0	0	393	393
Staff salaries, expenses, and benefits	2,409	743	0	0	3,152
Professional fees	511	148	3	9	671
Office and administrative expenses	1,035	0	0	0	1,035
Interfund (revenue) expense allocation	(1,668)	1,168	373	127	0
Depreciation of capital assets	332	0	0	0	332
Total operating expenses	4,302	2,797	1,370	627	9,096
Operating income (loss)	607	205	(482)	(325)	5
Non-operating revenue (expense):					
Federal grant revenue earned	4,441	0	0	0	4,441
Non-operating revenue - State of Vermont	593	0	69	393	1,055
Non-operating expense - State of Vermont	0	0	0	(54)	(54)
Non-operating revenue - seed capital fund	13	0	0	0	13
Deferred appropriation earned	392	0	225	0	617
Capital access program rebate expense	(8)	0	0	0	(8)
Interfund non-operating revenue (expense)	228	27	(261)	6	0
Total non-operating revenue	5,659	27	33	345	6,064
Net increase (decrease) in net position	6,266	232	(449)	20	6,069
Net position at beginning of year	31,642	12,068	3,995	865	48,570
Net position at end of year	\$ 37,908	\$ 12,300	\$ 3,546	\$ 885	\$ 54,639

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013
All Dollar Amounts in Thousands

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Operating Revenues:					
Cash and investment revenue	\$ 473	\$ 2	\$ 2	\$ 2	\$ 479
Net increase in fair value of investments	867	0	0	0	867
Loans receivable interest	1,980	2,612	882	94	5,568
Other revenues	<u>589</u>	<u>132</u>	<u>57</u>	<u>196</u>	<u>974</u>
Total operating revenues	<u>3,909</u>	<u>2,746</u>	<u>941</u>	<u>292</u>	<u>7,888</u>
Operating Expenses:					
Interest on commercial paper and notes payable	1,607	248	43	15	1,913
Interfund interest (revenue) expense	(630)	396	234	0	0
Provision for loan losses	1,244	(30)	(300)	(3)	911
Provision for losses on insured loans	1	0	0	22	23
Staff salaries, expenses, and benefits	2,422	720	0	0	3,142
Professional fees	367	130	7	8	512
Office and administrative expenses	791	0	0	0	791
Interfund (revenue) expense allocation	(1,808)	1,103	567	138	0
Depreciation on capital assets	<u>255</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>255</u>
Total operating expenses	<u>4,249</u>	<u>2,567</u>	<u>551</u>	<u>180</u>	<u>7,547</u>
Operating (loss) income	(340)	179	390	112	341
Non-operating revenue (expense):					
Federal grant revenue earned	891	0	1,376	0	2,267
Non-operating revenue - State of Vermont	0	0	0	22	22
Non-operating expense - State of Vermont	0	0	0	(14)	(14)
Non-operating revenue - seed capital fund	57	0	0	0	57
Deferred appropriation earned	291	0	687	0	978
Capital access program rebate expense	(17)	0	0	0	(17)
Interfund non-operating revenue (expense)	<u>9</u>	<u>59</u>	<u>(76)</u>	<u>8</u>	<u>0</u>
Total non-operating revenue	<u>1,231</u>	<u>59</u>	<u>1,987</u>	<u>16</u>	<u>3,293</u>
Net increase in net position	891	238	2,377	128	3,634
Net position at beginning of year	<u>30,751</u>	<u>11,830</u>	<u>1,618</u>	<u>737</u>	<u>44,936</u>
Net position at end of year	<u>\$ 31,642</u>	<u>\$ 12,068</u>	<u>\$ 3,995</u>	<u>\$ 865</u>	<u>\$ 48,570</u>

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)

Statement of Cash Flows

For the Year Ended June 30, 2014

All Dollar Amounts in Thousands

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Cash flows from operating activities:					
Interest received on loans receivable	\$ 2,524	\$ 2,843	\$ 838	\$ 92	\$ 6,297
Other revenues received	555	155	33	209	952
Operating expenses paid other than interest	(3,379)	(2,997)	1,448	(49)	(4,977)
Receipts from (disbursement to) participating banks, net	27	0	0	(18)	9
Principal received on loans receivable	13,156	16,418	4,506	151	34,231
Principal disbursed on loans receivable	<u>(26,171)</u>	<u>(22,312)</u>	<u>(2,805)</u>	<u>0</u>	<u>(51,288)</u>
Net cash (used for) provided by operating activities	<u>(13,288)</u>	<u>(5,893)</u>	<u>4,020</u>	<u>385</u>	<u>(14,776)</u>
Cash flows from non-capital financing activities:					
Interest paid on commercial paper and notes payable	(1,358)	(233)	(42)	(16)	(1,649)
Interest received (paid) on interfund notes payable	591	(452)	(139)	0	0
Federal grant funds received	8,823	0	0	0	8,823
Advanced funds returned to State of Vermont	0	0	(316)	0	(316)
Advanced funds received from State of Vermont	5,501	0	0	0	5,501
Interfund non-operating revenue received (expense paid)	228	27	(261)	6	0
Interfund transfer of loans receivable	(1,298)	1,456	204	(362)	0
Non-operating revenue received - State of Vermont	593	0	69	0	662
Non-operating expense paid - State of Vermont	(14)	0	0	(94)	(108)
Non-operating revenue received - seed capital fund	13	0	0	0	13
Proceeds from issuance of commercial paper	552,685	0	0	0	552,685
Payments on maturing commercial paper	(538,485)	0	0	0	(538,485)
Payments received (paid) on interfund notes payable	(14,425)	18,675	(4,250)	0	0
Proceeds from notes payable	10,000	13,000	475	250	23,725
Payments on notes payable	0	(27,000)	(200)	(24)	(27,224)
Capital access program rebates paid	<u>(8)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8)</u>
Net cash provided by (used for) non-capital financing activities	<u>22,846</u>	<u>5,473</u>	<u>(4,460)</u>	<u>(240)</u>	<u>23,619</u>
Cash flows from investing activities:					
Redemption or sale of investments	52,501	0	0	0	52,501
Purchase of investments	(55,656)	(55)	0	0	(55,711)
Revenue received on cash and investments	<u>506</u>	<u>1</u>	<u>5</u>	<u>3</u>	<u>515</u>
Net cash (used for) provided by investing activities	<u>(2,649)</u>	<u>(54)</u>	<u>5</u>	<u>3</u>	<u>(2,695)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(746)	0	0	0	(746)
Payments on mortgage note payable	(130)	0	0	0	(130)
Interest paid on mortgage note payable	<u>(93)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(93)</u>
Net cash used for capital and related financing activities	<u>(969)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(969)</u>
Net increase (decrease) in cash and cash equivalents	5,940	(474)	(435)	148	5,179
Cash and cash equivalents at beginning of year	<u>1,720</u>	<u>612</u>	<u>1,038</u>	<u>793</u>	<u>4,163</u>
Cash and cash equivalents at end of year	\$ <u>7,660</u>	\$ <u>138</u>	\$ <u>603</u>	\$ <u>941</u>	\$ <u>9,342</u>

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)

Statement of Cash Flows

For the Year Ended June 30, 2014

All Dollar Amounts in Thousands

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Reconciliation of Operating Income (Loss) to net cash (used for) provided by operating activities:					
Operating income (loss)	\$ 607	\$ 205	\$ (482)	\$ (325)	5
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:					
Interest revenue on investment activities	(506)	(1)	(5)	(3)	(515)
Net increase in fair value of investments	(1,325)	0	0	0	(1,325)
Interest expense for commercial paper and notes payable	1,502	206	42	16	1,766
Interest (revenue) expense for interfund financing activities	(591)	452	139	0	0
Provision for loan losses	772	80	813	82	1,747
Provision for losses on insured loans	0	0	0	393	393
Interfund transfer of loans receivable	1,298	(1,456)	(204)	362	0
Proceeds from investment in VCP	10	0	0	0	10
Depreciation expense	332	0	0	0	332
Changes in assets and liabilities:					
Loans receivable	(13,137)	(4,402)	2,140	(211)	(15,610)
Allowance for loan losses	(1,176)	(36)	(235)	0	(1,447)
Accrued interest receivable	1	(3)	(12)	2	(12)
Other assets	(68)	50	(9)	4	(23)
Escrow and reserve accounts	27	0	0	(18)	9
Accounts payable and accrued expenses	(129)	23	0	0	(106)
Interfund accounts payable (receivable)	<u>(905)</u>	<u>(1,011)</u>	<u>1,833</u>	<u>83</u>	<u>0</u>
Net cash (used for) provided by operating activities	<u>\$ (13,288)</u>	<u>\$ (5,893)</u>	<u>\$ 4,020</u>	<u>\$ 385</u>	<u>\$ (14,776)</u>

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)

Statement of Cash Flows
For the Year Ended June 30, 2013

All Dollar Amounts in Thousands

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Cash flows from operating activities:					
Interest received on loans receivable	\$ 1,954	\$ 2,598	\$ 960	\$ 95	\$ 5,607
Other revenues received	589	132	57	196	974
Operating expenses paid other than interest	811	(1,824)	(3,001)	(210)	(4,224)
Receipts from (disbursement to) participating banks, net	23	0	0	(16)	7
Principal received on loans receivable	8,887	12,897	4,965	163	26,912
Principal disbursed on loans receivable	<u>(16,453)</u>	<u>(15,470)</u>	<u>(5,587)</u>	<u>(15)</u>	<u>(37,525)</u>
Net cash (used for) provided by operating activities	<u>(4,189)</u>	<u>(1,667)</u>	<u>(2,606)</u>	<u>213</u>	<u>(8,249)</u>
Cash flows from non-capital financing activities:					
Interest paid on commercial paper and notes payable	(1,502)	(263)	(44)	(15)	(1,824)
Interest received (paid) on interfund notes payable	630	(396)	(234)	0	0
Federal grant funds received	(813)	0	813	0	0
Interfund non-operating revenue received (expense paid)	9	59	(76)	8	0
Interfund transfer of loans receivable	(9,622)	350	9,212	60	0
Non-operating revenue received - State of Vermont	0	0	0	22	22
Non-operating expense paid - State of Vermont	(1)	0	0	0	(1)
Non-operating revenue received - seed capital fund	57	0	0	0	57
Proceeds from issuance of commercial paper	837,200	0	0	0	837,200
Payments on maturing commercial paper	(822,200)	0	0	0	(822,200)
Proceeds (disbursed) received on interfund notes payable	(23,450)	21,700	1,750	0	0
Payments received (paid) on interfund notes payable	21,350	(12,700)	(8,650)	0	0
Proceeds from notes payable	0	12,000	0	0	12,000
Payments on notes payable	0	(20,000)	(174)	0	(20,174)
Capital access program rebates paid	(17)	0	0	0	(17)
Payments to banks for losses on insured loans, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22)</u>	<u>(22)</u>
Net cash provided by non-capital financing activities	<u>1,641</u>	<u>750</u>	<u>2,597</u>	<u>53</u>	<u>5,041</u>
Cash flows from investing activities:					
Redemption or sale of investments	58,893	0	0	0	58,893
Purchase of investments	(57,560)	(49)	0	0	(57,609)
Revenue received on cash and investments	<u>481</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>486</u>
Net cash provided by (used for) investing activities	<u>1,814</u>	<u>(47)</u>	<u>2</u>	<u>1</u>	<u>1,770</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(219)	0	0	0	(219)
Payments on mortgage note payable	(126)	0	0	0	(126)
Interest paid on mortgage note payable	<u>(96)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(96)</u>
Net cash used for capital and related financing activities	<u>(441)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(441)</u>
Net (decrease) increase in cash and cash equivalents	(1,175)	(964)	(7)	267	(1,879)
Cash and cash equivalents at beginning of year	<u>2,895</u>	<u>1,576</u>	<u>1,045</u>	<u>526</u>	<u>6,042</u>
Cash and cash equivalents at end of year	\$ <u>1,720</u>	\$ <u>612</u>	\$ <u>1,038</u>	\$ <u>793</u>	\$ <u>4,163</u>

See accompanying notes to the basic financial statements

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2013
All Dollar Amounts in Thousands

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Reconciliation of Operating (Loss) Income to net cash (used for) provided by operating activities:					
Operating (loss) income)	\$ (340)	\$ 179	\$ 390	\$ 112	\$ 341
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:					
Interest revenue on investment activities	(482)	(2)	(2)	(1)	(487)
Net increase in fair value of investments	(867)	0	0	0	(867)
Interest expense for commercial paper and notes payable	1,607	248	43	15	1,913
Interest (income) expense for interfund financing activities	(630)	396	234	0	0
Provision for loan losses	1,244	(30)	(300)	(2)	912
Provision for losses on insured loans	1	0	0	22	23
Interfund transfer of loans receivable	9,622	(350)	(9,212)	(60)	0
Disbursement for investment in VCP	(27)	0	0	0	(27)
Depreciation expense	255	0	0	0	255
Changes in assets and liabilities:					
Loans receivable	(17,235)	(2,217)	8,610	207	(10,635)
Allowance for loan losses	46	(24)	(36)	0	(14)
Accrued interest receivable	(17)	4	93	0	80
Other assets	(8)	10	(3)	(4)	(5)
Escrow and reserve accounts	23	0	0	(16)	7
Accounts payable and accrued expenses	226	32	(3)	0	255
Interfund accounts payable (receivable)	<u>2,393</u>	<u>87</u>	<u>(2,420)</u>	<u>(60)</u>	<u>0</u>
Net cash (used for) provided by operating activities	<u>\$ (4,189)</u>	<u>\$ (1,667)</u>	<u>\$ (2,606)</u>	<u>\$ 213</u>	<u>\$ (8,249)</u>

Vermont Economic Development Authority
 (A Component Unit of the State of Vermont)
Statement of Fiduciary Assets and Liabilities for the Agency Funds
 as of June 30, 2014 and 2013
All Dollar Amounts in Thousands

<u>Assets</u>	2014 Agency Funds	2013 Agency Funds
Current Assets:		
Restricted cash and cash equivalents	\$ 5,983	\$ 5,283
Loans receivable	<u>1,267</u>	<u>948</u>
Total current assets	7,250	6,231
Loans receivable, less current portion	18,101	18,905
Total assets	<u>\$ 25,351</u>	<u>\$ 25,136</u>
<u>Liabilities</u>		
Current Liabilities:		
Due to Drinking Water State Revolving Fund	16,788	15,754
Due to Clean Energy Development Fund	4,944	5,822
Due to State Infrastructure Bank	3,150	3,074
Due to Brownfields Revolving Loan Fund	<u>469</u>	<u>486</u>
Total liabilities	<u>\$ 25,351</u>	<u>\$ 25,136</u>

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Notes to Financial Statements

June 30, 2014 and 2013

Dollar Amounts are in Thousands

(1) Authorizing Legislation and Programs

(a) Authorizing Legislation

The Vermont Economic Development Authority (the “Authority” or “VEDA”) is a body corporate and politic and a public instrumentality of the State of Vermont (the “State”). It was created by the General Assembly in 1974. Its purpose is to promote prosperity in the State by providing financial assistance to eligible businesses. VEDA funds a wide spectrum of enterprises including: manufacturing, agriculture, travel and tourism, technology and other services including not-for-profits. The primary goal of VEDA programs is to provide eligible borrowers with access to capital at favorable interest rates. The Authority is reported as a component unit in the State’s financial statements. As a component unit of the State, VEDA is generally exempt from federal income taxes.

In fiscal 2013, the General Assembly changed governance of the Authority by adding three additional board positions to create a fifteen member board (the “Board”). The Board is comprised of five State officials: the State Treasurer, the Secretary of the Agency of Commerce and Community Development, the Secretary of Agriculture, Food and Markets, the Commissioner of Forests, Parks and Recreation, and the Commissioner of Public Service. The remaining Board members are ten citizens of the State appointed by the Governor with the advice and consent of the Senate.

In accordance with the enabling legislation which created the Authority, the State of Vermont reserves the right, at its sole discretion, and at any time, to alter or change the structure, organization, programs or activities of the Authority. This enabling legislation includes the power to terminate the Authority, subject to any limitation on the impairment of contracts entered into by the Authority. This enabling legislation is silent as to whether or not the State has any responsibility to fund deficits which the Authority may incur other than those deficits specifically described in these notes.

(b) Programs of the Authority

In accordance with accounting principles generally accepted in the United States of America, the Vermont Jobs Fund (“VJF”), the Vermont Agricultural Credit Corporation (“VACC”) and the Vermont Small Business Development Corporation (“VSBDC”) are considered major funds of VEDA. Major Funds are presented under separate headings in the basic financial statements and the remaining programs are aggregated under the heading “Non-Major Funds Combined.”

Vermont Jobs Fund (“VJF”)

The VJF derives its operating revenues primarily from interest on loans receivable, interest on investments, and fee income from loans receivable and Industrial Development Bonds. The VJF programs are outlined as follows:

Vermont Economic Development Authority

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Dollar Amounts are in Thousands

Loans to Development Corporations

This program is established under Subchapter 3 of the VEDA statute. Under this program the Authority provides loans to non-profit local development corporations. Allowable lending purposes include the purchase, construction and renovation of speculative buildings and small business incubator facilities, the purchase of land for industrial parks, and for industrial park planning and development.

Industrial Development Bonds (“IDB”)

This program is established under Subchapter 4 of the VEDA statute. This program is designed to aid businesses and not-for-profit enterprises through the Authority’s issuance of tax-exempt bonds. Allowable financing purposes include the acquisition of land, buildings, machinery and equipment for use in an industrial facility. Since 1988, the Authority has issued \$604,667 of these bonds and \$293,391 and \$330,295 remain outstanding at June 30, 2014 and 2013, respectively. The bonds are not general obligations of the State of Vermont or the Authority and do not constitute indebtedness or a charge against the general credit or taxing power of the State of Vermont or the Authority.

In 2014 and 2013 the Authority received \$47 and \$132, respectively, in fees for issuing industrial development bonds.

Direct Loans to Businesses

This program is established under Subchapter 5 of the VEDA statute. This program is designed to make loans available to commercial enterprises. Allowable lending purposes include the purchase of land, the purchase, construction and renovation of buildings, and the purchase and installation of machinery and equipment for use in an eligible facility or project. Included in the Subchapter 5 group are loans for technology infrastructure and incubator facilities.

Vermont Sustainable Energy Loan Fund (“VSELF”)

This program was established in 2013 under Subchapter 13 of the VEDA statute. This program is designed to make loans and provide other forms of financing for projects that stimulate and encourage development and deployment of sustainable energy projects in the State of Vermont. As required by the statute, energy related loans made previously under Direct Loans to Businesses (above), the Vermont Agricultural Credit Corporation (described below), and the Vermont Small Business Development Corporation (described below) were transferred to the VSELF. The aggregate transfers totaled \$751 and are reflected under the caption “Interfund transfer of loans receivable” on the *Statement of Cash Flows*.

VEDA Capital Access Program (“VCAP”)

This program is an extension and replacement of the Financial Access Program (“FAP”) which is a Non-Major Fund of VEDA. The VCAP establishes cash reserves at participating financial institutions (“banks”) throughout the State by matching funds received from participating banks. Banks enroll eligible loans and make a contribution to the reserve fund based a percentage of the enrolled loan amount. VEDA matches the banks’ contribution with an equal contribution to create a pooled cash

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reserve for loan losses. Banks can claim losses they incur on any enrolled loans in amounts not to exceed the outstanding reserve balance. The deposited amounts are included under the captions "Restricted cash and cash equivalents," "Escrow and reserve accounts" and as a portion of "Restricted net position" on the *Statement of Net Position*. VEDA also provides a rebate to participating banks which is either added to the pooled reserve or remitted to the direction of the bank.

Vermont Agricultural Credit Corporation ("VACC")

The Authority operates its agricultural loan programs through the VACC. The VACC derives its revenues primarily from interest on lending operations. The purpose of the VACC is to aid family farmers and agricultural facility operators by making available direct loans at favorable rates and terms. At June 30, 2014 and 2013, \$39,706 and \$37,443, respectively, of the outstanding balance of the loans receivable carried guarantees of the federal government; the federal guarantees range from 50% to 95% of the outstanding balance and the average federal guarantee on these loans was 90% at June 30, 2014 and 2013. The remaining loans receivable carry no federal guarantees. These loans totaled \$32,336 and \$30,197 at June 30, 2014 and 2013, respectively.

Vermont Small Business Development Corporation ("VSBDC")

Within the VSBDC there are two funds:

Intermediary Relending Program ("IRP") Fund

The VSBDC participates in the United States Department of Agriculture ("USDA") Intermediary Relending Program ("IRP Fund"). The IRP lends to eligible organizations for the purpose of making small business loans in designated rural areas.

Loan Fund

A second fund within the VSBDC, the "Loan Fund" was established to make small business loans using VEDA capital. The "Loan Fund" was initially capitalized with \$1,000 from the VJF. Both the IRP and the Loan Fund derive their revenues principally from interest and fees earned on loans

Non-Major Funds

Vermont 504 Corporation ("VT504")

The Authority incorporated the VT504 as a non-profit corporation to operate as a Small Business Administration ("SBA") Section 504 Certified Development Corporation ("CDC"). The VT504 derives its revenues principally from fees for originating and servicing loans made to eligible businesses by the Small Business Administration under its 504 loan program. These loans are made for the acquisition of land, buildings, machinery or equipment and are collateralized by property, plant and equipment or other assets.

A second fund was established to make small business loans using monies borrowed from the United States Department of Agriculture ("USDA") Intermediary Relending Program (the VT504 IRP Fund). The VT504 IRP Fund was initially capitalized with \$188 from the VJF. The VT504 IRP Fund derives its revenues principally from interest and fees earned on loans.

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Mortgage Insurance Program (“MIP”)

The MIP is designed to provide businesses with access to capital by insuring a portion of loans made by lending institutions. The loans can be for the acquisition of land, buildings, machinery and equipment, or working capital. All insured loans are collateralized by property, plant and equipment, or other assets of the business entity. The full faith and credit of the State of Vermont is pledged to support the operations of the MIP. The MIP derives its revenues primarily from insurance premiums received from insured lenders.

Financial Access Program (“FAP”)

The FAP generates its revenue through interest earned on the reserve balances deposited and held on behalf of the participating banks. The reserve balances are comprised of deposits made by banks matched equally by an allocation of guarantee by VEDA. The full faith and credit of the State of Vermont is pledged to support the operations of the FAP. The deposited amounts are included under the caption “Restricted cash and cash equivalents” and as “Escrow and reserve accounts” on the *Statement of Net Position*. The FAP has not accepted new enrollments for several years and the program will be terminated when no more enrolled loans are outstanding.

Agency Funds (“AGN”)

The Authority provides underwriting, servicing, fiduciary and accounting services for lending programs operated by VEDA at the direction of various State agencies. The AGN includes cash and loans receivable that are held in the name of the Authority for the benefit of the State. These amounts are presented on the *Statement of Fiduciary Assets and Liabilities*. The programs include the State Infrastructure Bank (“SIB”), the Drinking Water State Revolving Fund (“DWF”), the Brownfield Revitalization Fund (“BRF”) and the Clean Energy Development Fund (“CEDF”). While not considered a direct recipient of federal funds under these programs, VEDA manages and holds federal funds for the Agency Funds.

(c) Blended Component Units

Accounting principles generally accepted in the United States of America require that the financial statements present the Authority and its component units. Component Units are entities that, although legally separate are either financially accountable to, or have relationships such that exclusion would cause the Authority’s financial statements to be misleading or incomplete. The management and the boards of directors of the of the Authority's three corporations (VACC, VSBDC and VT504) also serve as the management and Members of the Authority. As such, the three not-for-profit corporations are included in these financial statements as blended component units. Separate audited financial statements for component units are not available.

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(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

Adoption of GASB Statements

In 2014, the Authority adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify or recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. In adopting this statement, no changes were made to the presentation of VEDA and its component units from that used in prior years.

In 2013, the Authority adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement changes how governments organize their Statement of Position. The change in this Statement applicable to VEDA in 2013 was to report the difference between assets and liabilities on the Statement of Net Position as *net position* instead of the previously used *net assets*.

In 2013, the Authority adopted GASB Statement No. 61, The Financial Reporting Entity Omnibus. This Statement addresses how information is presented about a financial reporting entity that is comprised of a primary government and related entities (i.e. component units). In adopting this statement, no changes were made to the presentation of VEDA and its component units from that used in prior years.

(b) Cash and Cash Equivalents

The Authority considers all highly liquid investments, both restricted and unrestricted, with original maturities of three months or less to be cash equivalents.

(c) Restricted Cash and Cash Equivalents

Certain cash and cash equivalents in the VJF are restricted under a trust indenture and held by a trustee in the Authority's name to pay interest at maturity on VEDA's outstanding commercial paper (Note 5). The Authority has deferred revenue for a federal program called the State Small Business Credit Initiative ("SSBCI"), the funds for which are included in restricted cash and cash equivalents in the VJF and VSBDC. Cash in the MIP and FAP are restricted pending transfer to the State. The VJF and FAP hold restricted cash on behalf of participating banks.

(d) Unrestricted and Restricted Investments

Certain investments in the VJF are restricted under a trust indenture and held by a trustee in the Authority's name. The funds are invested at the direction of the Authority. These investments are collateral for the credit facility that enhances the credit rating of VEDA's commercial paper (Note 5). These investments are presented in these financial statements at fair value.

The VJF has an unrestricted investment in Vermont Capital Partners, LP ("VCP", Note 3). VCP is a limited partnership in which VEDA operates as General Partner. VEDA's capital contribution to VCP represents

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42% of the total VCP capital. VCP is required by the partnership agreement to invest 100% of its capital in a second limited partnership, the management of which is not under the control of the General Partner. The investment in VCP is recorded at cost.

VEDA has invested State appropriated funds in the Vermont Seed Capital Fund, LP (“VSCF,” Note 3). The authorizing legislation provided for the continued reinvestment of any revenues in the VSCF. The invested funds cannot be used by VEDA except for investment in a seed capital fund; consequently they are recorded under the caption “Restricted investments” and comprise a portion of “Restricted net position” on the *Statement of Net Position* (Note 14). The investment in VSCF is recorded at cost.

The VACC has an investment in Cobank, ACB (“Cobank”) stock, ownership of which is required as part of the borrowing relationship with Cobank (Note 6). The stock cannot be remarketed and is consequently recorded at cost.

(e) Loans Receivable

Loans receivable are recorded at the uncollected principal balance, net of any loans sold without recourse. As of June 30, 2014 and 2013, the VACC had \$833 and \$1,122 in outstanding loans, respectively that were sold without recourse.

(f) Allowance for Loan Losses

The allowance for loan losses (“reserves”) are maintained at a level estimated to be adequate to absorb probable losses. Management determines the adequacy of the reserves based upon review of each credit relationship, historic loss experience, current economic conditions, and risk characteristics of the various loan types and other pertinent factors. Future changes in economic and risk conditions could affect the adequacy of the reserves.

(g) Nonaccrual Loans

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Loans are classified as nonaccrual when they become 90 days past due, unless they are adequately collateralized and in the process of collection. When a loan is placed in nonaccrual status, all interest accrued, but not paid, is charged off against current period income. Interest income is recognized only when collected, and accrual of interest is resumed when collection of the total amount in arrears is received, or the collectability of all future amounts due is determined to be probable.

The outstanding balance of nonaccrual loans at June 30, 2014 and 2013 was \$9,693 and \$10,652, respectively. These amounts represent 5.03% and 6.02% of total loans receivable outstanding at June 30, 2014 and 2013, respectively. The allowance for loan losses specific to nonaccrual loans totaled \$1,742 and \$1,479 at June 30, 2014 and 2013, respectively which represented 18% and 14% of the nonaccrual loans outstanding. Total interest collected on nonaccrual loans in the years ended 2014 and 2013 was \$241 and \$343, respectively.

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(h) Capital Assets

Capital assets include real estate (“RE”) and furniture, fixtures & equipment (“FF&E”). RE includes land and two buildings. FF&E includes office furniture and fixtures and office equipment including computer hardware and software where the cost exceeds one thousand dollars. All assets are stated at cost net of accumulated depreciation. The Authority depreciates capital assets (except land and land improvements, which are not depreciated) using the straight-line method over the capital assets’ estimated useful life. VEDA uses fifteen to forty years for RE and RE improvements; three to five years for computer related hardware and software; and up to ten years for furniture and fixtures. The charts below show the changes in capital assets and accumulated depreciation for the years ending June 30, 2014 and 2013:

Capital Assets Schedule For the Year Ending June 30, 2014:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier	\$ 5,365	\$ 363	\$ 0	\$ 0	\$ 5,728
Leasehold Improvements - Burlington	0	170	0	0	170
Accumulated Depreciation	(770)	0	(175)	0	(945)
Furniture, fixtures and equipment	1,024	213	0	0	1,237
Accumulated Depreciation - FF&E	(639)	0	(157)	0	(796)
Developed Land - Montpelier	500	0	0	0	500
Total Capital Assets, net	\$ 5,480	\$ 746	\$ (332)	\$ 0	\$ 5,894

Capital Assets Schedule For the Year Ending June 30, 2013:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier	\$ 5,318	\$ 47	\$ 0	\$ 0	\$ 5,365
Accumulated Depreciation - RE	(629)	0	(141)	0	(770)
Furniture, fixtures and equipment	852	172	0	0	1,024
Accumulated Depreciation - FF&E	(525)	0	(114)	0	(639)
Developed Land - Montpelier	500	0	0	0	500
Total Capital Assets, net	\$ 5,516	\$ 219	\$ (255)	\$ 0	\$ 5,480

(i) Restricted Net Position

Portions of net position are restricted when constraints are placed on them externally (Note 14). When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted assets first with unrestricted resources utilized as needed. See Note 13 for more details.

(j) Operating Revenues and Expenses

All revenues related to the origination and servicing of loans and managing the Authority’s remaining assets and liabilities, including all overhead expenses, are considered to be “operating” revenues and expenses. Inter-governmental transfers such as appropriations and other items of an unusual or non-recurring nature are considered “non-operating” revenues and expenses.

(k) Interfund Transfers

Inter-fund transfers are permanent asset transfers generally used to increase equity and help defray a portion of the cost of operating activities and are recorded under the caption “Interfund non-operating (expense) revenue” on the *Statement of Revenues, Expenses and Changes in Net Position*.

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Notes to Financial Statements

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(l) Allocation of Expenses

Overhead and some minor direct expenses are paid by the VJF on behalf of other the programs. All programs pay direct expenses for staff and professional fees plus an administrative fee to the VJF based on the outstanding loan receivable balances in each program plus additional charges for originating and closing the financing products of each program. They are reflected on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption "Interfund (revenue) expense allocation."

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Reclassifications

Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

(3) Cash Equivalents and Investments

Cash Equivalents

The Authority's cash equivalents include collateralized deposits and money market accounts. Deposits are collateralized with securities held in trust in the name of the bank for the benefit of the Authority. The total money market accounts at June 30, 2014 and 2013 were \$71 and \$64, respectively and were comprised of direct obligations of the U.S. Government. The bank balance of the collateralized deposit accounts approximates the amounts shown below as of June 30, 2014 and 2013. The book balance of cash equivalents for each of the past two years are as follows:

Cash and Cash Equivalent Balances at June 30, 2014:	VJF	VACC	VSBC	Non-Major Funds Combined	VEDA TOTAL
Collateralized deposit accounts	\$ 7,589	\$ 138	\$ 603	\$ 941	\$ 9,271
Money market accounts	71	0	0	0	71
Total cash and cash equivalents	\$ 7,660	\$ 138	\$ 603	\$ 941	\$ 9,342

Cash and Cash Equivalent Balances at June 30, 2013:	VJF	VACC	VSBC	Non-Major Funds Combined	VEDA TOTAL
Collateralized deposit accounts	\$ 1,656	\$ 612	\$ 1,038	\$ 793	\$ 4,099
Money market accounts	64	0	0	0	64
Total cash and cash equivalents	\$ 1,720	\$ 612	\$ 1,038	\$ 793	\$ 4,163

These funds are held by a single financial institution and collateralized with securities eligible under the Authority's Investment Policy and held in trust in the name of the bank for the benefit of VEDA. There were also cash and cash equivalents held in collateralized deposit accounts for the Agency Fund totaling

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\$5,983 and \$5,283 at June 30, 2014 and 2013, respectively. A trust indenture governs how restricted cash and cash equivalents in the VJF can be invested. The restricted cash is partial collateral for VEDA commercial paper (Note 5). The allowable investments under the trust indenture are similar to the investments allowed under the Authority's own policy.

Investments

Investments as of June 30, 2014 and 2013 are shown in the charts that follow:

Investments By Type or By Issuer as of June 30, 2014	Long-Term Credit Ratings Weighted Average	Range From Low to High	Par or Notional Amount	Weighted Average Coupon	Cost Basis	Estimated Fair Value ("FV")	FV as a % of Total
Total Bond Market Index Fund ¹	AA+	BAA - AAA	\$ 8,352	3.40%	\$ 8,352	\$ 8,329	26.9%
Corporate Bond Index Fund ¹	A	BAA - AAA	6,048	3.80%	6,048	6,028	19.3%
Total bond mutual funds			\$ 14,400	3.57%	\$ 14,400	\$ 14,357	46.2%
Domestic Stock Index (S&P) Fund	NOT RATED	NOT RATED	5,000	N/A	5,000	5,221	16.7%
International Markets Index Fund	NOT RATED	NOT RATED	3,400		3,400	3,469	11.1%
Emerging Markets Index Fund	NOT RATED	NOT RATED	1,200	N/A	1,200	1,230	3.9%
Total equity mutual funds			\$ 9,600		\$ 9,600	\$ 9,920	31.7%
The investments below are recorded at cost:							
Vermont Seed Capital Fund, LP	NOT RATED	NOT RATED	4,097	N/A	4,097	4,097	13.1%
Vermont Capital Partners, LP	NOT RATED	NOT RATED	2,000	N/A	2,000	2,000	6.4%
CoBank, ACB Stock	NOT RATED	NOT RATED	601	N/A	601	601	1.9%
Domestic Money Market Funds	NOT RATED	NOT RATED	217	N/A	217	217	0.7%
Investments at June 30, 2014			\$ 30,915		\$ 30,915	\$ 31,192	100.0%

¹ Long-term credit ratings represent the underlying bonds held in the mutual funds and not the funds themselves.

Investments By Type or By Issuer as of June 30, 2013	Long-Term Credit Ratings Weighted Average	Range From Low to High	Par or Notional Amount	Weighted Average Coupon	Amortized Cost Basis	Estimated Fair Value ("FV")	FV as a % of Total
Asset-Backed Securities	AAA	AAA to AAA	\$ 384	2.19%	\$ 384	\$ 389	1.5%
Commercial Mortgage Securities	AAA	AAA to AAA	196	4.62%	197	206	0.8%
Corporate Bonds	BBB+	BBB- to AA	1,825	4.67%	1,922	1,923	7.2%
Residential Mortgage Securities	AA+	BBB+ to AAA	5,076	4.09%	5,267	5,248	19.7%
US Government	AAA	AA+ to AA+	5,420	0.58%	5,397	5,361	20.1%
Local Governments (Municipals)	AAA	AAA to AAA	38	1.52%	38	39	0.1%
Investments with fixed maturity date:			\$ 12,939	2.69%	\$ 13,205	\$ 13,166	49.4%
Domestic Common Stocks	NOT RATED	NOT RATED	2,814	N/A	2,814	4,452	16.7%
International Common Stocks	NOT RATED	NOT RATED	1,213	N/A	1,213	1,567	5.9%
Investments in equity securities:			\$ 4,027		\$ 4,027	\$ 6,019	22.6%
The investments below are recorded at cost:							
Vermont Seed Capital Fund, LP	NOT RATED	NOT RATED	4,040	N/A	4,040	4,040	15.1%
Vermont Capital Partners, LP	NOT RATED	NOT RATED	2,000	N/A	2,000	2,000	7.5%
CoBank, ACB Stock	NOT RATED	NOT RATED	546	N/A	546	546	2.0%
Domestic Money Market Funds	NOT RATED	NOT RATED	897	N/A	897	896	3.4%
Investments at June 30, 2013			\$ 24,449		\$ 24,715	\$ 26,667	100.0%

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Summary of Investment Policy

The Authority's investment policy allows the following as eligible investments: (a) Direct obligations of the United States of America and unconditionally guaranteed by the United States of America and debt obligations of U.S. Government agencies; (b) Overnight repurchase or collateralized deposit agreements collateralized by obligations of the U.S. Government and its Agencies; (c) Investment agreements with financial institutions which are rated at least "A" by nationally recognized credit rating agencies; (d) Interest bearing time deposits, certificates of deposit or other depository arrangement insured by the Federal Deposit Insurance Corporation (FDIC); (e) Commercial paper which is rated "A-1" by Standard and Poor's and "P-1" by Moody's Investors Services and matures not more than 270 days after the date of purchase; (f) Domestic money market funds regulated by and in good standing with the Securities and Exchange Commission ("SEC"), such money market funds being composed entirely of investments eligible under VEDA's investment policy; (g) Corporate bonds, debentures, Yankee bonds, mortgage-backed securities and other domestically or foreign issued fixed-income instruments deemed prudent by the Investment Managers; (h) Individual equity securities of domestic or international companies; (i) Equity or fixed-income mutual funds of domestic or international companies. Such funds must be comprised of investments eligible under the policy; and (j) any other investment with prior approval of the Authority's Members. The Authority's investment policy mandates that debt securities carry a minimum rating of investment grade (BBB-). The weighted average rating is AA for investments that carry a long-term credit rating from one of three recognized rating agencies. Two of the Authority's investments (Vermont Capital Partners, LP and the Vermont Seed Capital Fund, described below) were authorized and funded by statute and are outside the scope of the Authority's investment policy.

Debt Securities

In May 2014, the Authority sold 100% of its professional managed portfolio of debt securities and invested the proceeds, with some additional cash, in two bond market indexed mutual funds. One mutual fund is indexed to mirror the Barclay's Aggregate Bond Market Index™. The second mutual fund is comprised of shorter-term corporate bonds. At June 30, 2014, the Authority's cost basis in these two funds totaled \$14,400 and had a fair value of \$14,357. At June 30, 2013, the Authority owned 123 debt security issues with a cost basis of \$13,205 and a fair value of \$13,166. The debt securities were comprised of general obligations of the issuer (i.e. uncollateralized), collateralized pools of mortgages or other types of receivables and preferred stock of domestic corporations.

Equity Securities

In May 2014, the Authority sold 100% of its professionally managed portfolio of equity securities and invested the proceeds, with some additional cash, in three equity indexed mutual funds. One mutual fund is indexed to the S&P 500 stock market index™, the second mutual funds is indexed to international developing markets and the third mutual fund is indexed to international emerging markets. At June 30, 2014, the cost basis of the three funds was \$9,600 and had a fair value of \$9,920. At June 30, 2013, the Authority owned 36 different equity security issues in domestic and foreign corporations with a cost basis of \$4,027 and a fair value of \$6,019.

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Cobank, ACB Stock

The VACC borrows funds from Cobank, ACB (Note 6). As part of its borrowing relationship, the VACC is required to own Cobank stock in amounts relative to the outstanding debt, adjusted annually. At June 30, 2014 and 2013, the VACC owned \$601 and \$546 of CoBank stock, respectively. The stock is held by Cobank in the name of the VACC. Ownership of Cobank stock is required as part of a borrowing relationship with Cobank and is non-marketable and is consequently valued at cost.

Vermont Capital Partners, LP

In 2006, VEDA formed Vermont Capital Partners, LP ("VCP"). The Authority also formed VEDA Capital Advisors, LLC, a limited liability company to act as General Partner of VCP. VEDA is the sole member of VEDA Capital Advisors, LLC and, acting as the General Partner, invested \$2,000 in VCP. There are four limited partners of VCP who have invested combined capital of \$2,750. The VCP partnership agreement specifies that VCP must invest 100% of its capital in Brook Ventures II, LP ("BVII") a Massachusetts based mezzanine debt fund. The target market for BVII is the northeastern United States and BVII focuses on markets historically underserved by mezzanine capital. BVII was selected by approval of the VEDA Members after due diligence by VEDA management and consultation from legal and financial experts in mezzanine debt funds.

There is no ready market for the VCP investment in BVII. As such, accounting principles generally accepted in the United States of America require the General Partner (of BVII) to estimate the fair value in a manner that may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. The amount of VCP contributed capital outstanding at June 30, 2014 and 2013 was \$4,750. The estimated fair value of VCP capital at June 30, 2014 and 2013 was \$2,216 and \$3,855, respectively. Because there is no ready market for the Authority's investment in VCP, the investment is carried at cost of \$2,000 as of June 30, 2014 and 2013.

The Authority paid organizational costs to form the VCP and pays ongoing expenses as needed. The General Partner will be reimbursed by the VCP limited partners for their share of these costs. As of June 30, 2014 and 2013, the Authority had expended \$365 and \$355 of reimbursable costs to form and operate the VCP. These costs are recorded in the *Statement of Net Position* under the caption "Other assets." In 2013, the Authority received \$42 from VCP which was used to reduce the receivable.

Vermont Seed Capital Fund, LP

In 2010, VEDA received an appropriation of \$2,900 for investment in an entrepreneur seed capital fund. VEDA invested these funds in a limited partnership called the Vermont Seed Capital Fund, LP ("VSCF"). VEDA is the one of two limited partners in the VSCF. The other limited partner's investment totals \$1,000. The VCET Capital Corporation is the General Partner and is an affiliate entity of the Vermont Center for Emerging Technology ("VCET") located in Burlington, Vermont.

The legislation authorizing the creation of the VSCF provided that VEDA's share of any proceeds from the VSCF be perpetually reinvested in a seed capital fund. In prior years the State appropriated an additional \$1,140 to VEDA for investment in the VSCF. In late June of 2014 and 2013, the Authority

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received \$13 and \$57, respectively for investment in VSCF, but the funds were recorded under the caption “Restricted cash and cash equivalents until remitted to VSCF the following fiscal year.

There is no ready market for VEDA’s investment in VSCF. As such, accounting principles generally accepted in the United States of America require the General Partner (of VSCF) to estimate the fair value in a manner that may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. The amount of all VSCF contributed capital outstanding at June 30, 2014 and 2013 was \$5,097 and \$5,040, respectively. The estimated fair value of VSCF capital at June 30, 2014 and 2013 was \$4,451 and \$4,062, respectively. Because there is no ready market for the Authority’s investment in VSCF, the investment is carried at cost of \$4,097 and \$4,040 at June 30, 2014 and 2013, respectively. Since the invested funds cannot be used by VEDA except for reinvestment in the VCSF, the investment is reflected under the captions “Restricted Investments” and as a portion of “Restricted net position” on the *Statement of Net Position*.

Interest Rate Risk on Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The Authority’s Investment Policy seeks to minimize interest rate risk through a combination of diversification and duration. Duration is a measure of an investments exposure to changes in fair value that could result from changes in interest rates (i.e. interest rate risk). Duration uses the present value of cash flows from an investment, weighted for the cash flows as a percentage of an investment’s full price.

The Authority’s Investment Committee has selected a diversification mix for its marketable securities (excluding investments recorded at cost) of approximately 60% fixed-income securities (the mix was 70% in 2013) with an average duration of less than five years combined with a mix of 40% equity securities (was 30% in 2013) of well capitalized domestic and international companies. None of the fixed-income securities have terms which are considered to make them highly sensitive to interest rate changes.

4) Loans Receivable

The outstanding balance of loans receivable for the years ending June 30, 2014 and 2013 are detailed in the charts below:

Loans Receivable By Major Program Group - Balances at June 30, 2014:	VJF	VACC	VSBDC	Non-Major Funds Combined	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	\$ 19,155	\$ 0	\$ 0	\$ 0	\$ 19,155	10%
Direct loans to businesses	69,261	0	0	0	69,261	36%
Agricultural loans	0	72,042	0	0	72,042	37%
Small business loans	10,772	0	19,372	1,936	32,080	17%
Total Loans Receivable	\$ 99,188	\$ 72,042	\$ 19,372	\$ 1,936	\$ 192,538	100%

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Loans Receivable By Major Program Group - Balances at June 30, 2013:	VJF	VACC	VSBC	Non-Major Funds Combined	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	\$ 19,279	\$ 0	\$ 0	\$ 0	\$ 19,279	11%
Direct loans to businesses	57,884	0		0	57,884	33%
Agricultural loans	0	67,640		0	67,640	38%
Small business loans	8,888	0	21,512	1,725	32,125	18%
Total Loans Receivable	\$ 86,051	\$ 67,640	\$ 21,512	\$ 1,725	\$ 176,928	100%

In addition to the loans receivable above, there were \$19,368 and \$19,853 of Agency Fund loans outstanding at June 30, 2014 and 2013, respectively. These loans are represented on the *Statement of Fiduciary Assets and Liabilities*.

Allowance for Loan Losses

Changes in the allowance for loan losses (“reserves”) result from loss provisions charged to or (recovered from) operations; the write-off of loans receivable charged to the allowance; and recoveries (collection of prior period write-offs) added to the allowance. The Authority performs a substantive review of the allowances on a quarterly basis. Management establishes “Specific Reserves” for loans receivables where a loss is probable and also establishes non-specific (i.e. “general” allowances for unidentified future losses. General reserves are based on a review of historical loss experience on the various loan portfolios combined with management's judgment of how those historical trends might relate to future loss experience. The change in the allowance for the years ending June 30, 2014 and 2013 are shown in the charts below:

Change in Allowance for Loan Losses For Year Ending June 30, 2014:	Beginning 2014 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2014 Allowance
VJF	\$ 3,981	\$ 772	\$ 1,233	\$ 57	\$ 3,577
VACC	563	80	38	2	607
VSBC	1,004	813	343	108	1,582
Non-Major Funds Combined	94	82	0	0	176
VEDA Total	\$ 5,642	\$ 1,747	\$ 1,614	\$ 167	\$ 5,942

Change in Allowance for Loan Losses For Year Ending June 30, 2013:	Beginning 2013 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2013 Allowance
VJF	\$ 2,690	\$ 1,244	\$ 116	\$ 163	\$ 3,981
VACC	617	(30)	28	4	563
VSBC	1,339	(300)	61	26	1,004
Non-Major Funds Combined	97	(3)	0	0	94
VEDA Total	\$ 4,743	\$ 911	\$ 205	\$ 193	\$ 5,642

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(5) Commercial Paper

Since 1998, the Authority has issued commercial paper to fund its lending operations. From time to time throughout the year, the Authority issues taxable and tax-exempt commercial paper (“CP”) to fund new loans and to refund outstanding loans. Credit support for the program is provided by an irrevocable letter of credit (“LC”). Because of the credit rating of the LC provider, the LC elevates the rating for the VEDA CP to “A-1” and “P-1” as rated by Standard and Poor’s and Moody’s Investor Services, respectively.

The charts below detail the rates and terms of outstanding commercial paper at June 30, 2014 and 2013:

Commercial Paper Outstanding at June 30, 2014	Issue Date	Mandatory Tender Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	04/04/2014	07/03/2014	08/07/2014	0.20%	\$ 135,000
Tax-exempt commercial paper	04/04/2014	07/03/2014	08/07/2014	0.10%	10,500
Total Commercial Paper Outstanding				0.19%	\$ 145,500

Commercial Paper Outstanding at June 30, 2013	Issue Date	Mandatory Tender Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	05/06/2013	Not Applicable	08/12/2013	0.18%	\$ 120,000
Tax-exempt commercial paper	05/06/2013	Not Applicable	08/12/2013	0.16%	11,300
Total Commercial Paper Outstanding				0.18%	\$ 131,300

Subsequent to year end the Authority refunded commercial paper as shown in the chart below:

Commercial Paper Outstanding Issued Subsequent to Year End	Issue Date	Mandatory Tender Date	Maturity Date	Rate	Amount Issued
Taxable commercial paper	07/03/2014	10/02/2014	11/06/2014	0.20%	\$ 135,000
Tax-exempt commercial paper	07/03/2014	10/02/2014	11/06/2014	0.09%	10,100
Total Commercial Paper Outstanding				0.19%	\$ 145,100

The changes in commercial paper due to newly issued or refunded and matured commercial paper during the past two years is shown in the charts below:

Changes in Commercial Paper for the year ending June 30, 2014	2014 Beginning Balance	Total CP Issued	Total CP Matured	2014 Ending Balance
Taxable commercial paper	\$ 120,000	\$ 510,000	\$ (495,000)	\$ 135,000
Tax-exempt commercial paper	11,300	42,685	(43,485)	10,500
Total Commercial Paper	\$ 131,300	\$ 552,685	\$ (538,485)	\$ 145,500

Changes in Commercial Paper for the year ending June 30, 2013	2013 Beginning Balance	Total CP Issued	Total CP Matured	2013 Ending Balance
Taxable commercial paper	\$ 105,000	\$ 770,400	\$ (755,400)	\$ 120,000
Tax-exempt commercial paper	11,300	66,800	(66,800)	11,300
Total Commercial Paper	\$ 116,300	\$ 837,200	\$ (822,200)	\$ 131,300

Letter of Credit (“LC”):

In 2014, VEDA renewed and extended its LC agreement with J.P. Morgan Chase Bank, National Association (“JPM”). The JPM credit facility was renewed for \$150,000, an increase of \$15,000. The LC

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matures in February 2017 and is collateralized with \$20,000 in investment securities and a moral obligation pledge of the State for \$130,000.

VEDA used an increase in the State's pledge of \$15,000 to increase the LC amount and issued an additional \$15,000 of taxable commercial paper. Proceeds of the commercial paper were used to reduce the outstanding balance on Authority's line of credit with Cobank (Note 6).

Included under the caption "Interest on commercial paper and notes payable" on the *Statement of Revenues, Expenses and Changes in Net Position* of the VJF are fees related to the LC of \$942 and \$1,246 in 2014 and 2013, respectively. Included in the LC fees were debt issuance costs totaling \$19 and \$38 in 2014 and 2013, respectively. These costs represent amortization of a portion of \$114 of prior period legal, consulting, transfer agent and rating agency fees related to the expiring JPM LC.

(6) Interfund Notes Payable and Notes Payable

Interfund Notes Payable

The VACC and VSBDC borrow monies from the VJF to fund their lending operations under revolving line of credit notes (LOC). The VJF funds the notes with the issuance of commercial paper. The term of both interfund notes payable are for three years and call for monthly interest payments at a floating rate of interest tied to the cost of VEDA's Taxable CP. The amount of the VACC LOC note was \$60,000 at the end of 2014 and 2013. The outstanding balance at June 30, 2014 and 2013 was \$57,375 and \$38,700, respectively. The VSBDC LOC note amount was \$25,000 at the end of 2014 and 2013. The outstanding balance of the VSBDC LOC at June 30, 2014 and 2013 was \$10,300 and \$14,550, respectively.

Mortgage Note Payable

The Authority carries a mortgage with Northfield Savings Bank, FSB ("NSB") on its principal headquarters building. The mortgage loan has a fixed-rate of interest and calls for monthly payments of principal and interest.

State of Vermont

Under legislation passed in FY 2013, the Authority was allowed to borrow up to \$10,000 from the State. The State loan has a fixed-rate of interest and calls for principal and interest at maturity.

Cobank, ACB

The VACC has a revolving line of credit agreement with Cobank that was originally entered into in July 1999. The LOC includes annual line reviews and a sixty-day termination notice. The terms of the note call for monthly interest payments at a floating interest rate. Included in VACC interest expense in 2014 and 2013 are fees related to the LOC in the amount of \$33 and \$32, respectively. The amount outstanding at June 30, 2014 and 2013 was \$3,500 and \$17,500 respectively.

Intermediary Relending Program

The VSBDC and the VT 504 have nine and three notes payable, respectively, to the USDA Intermediary Relending Program through the U.S. Department of Rural Development. These funds are borrowed at a

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fixed rate for a period of thirty years and have annual payments of interest for the first three years and twenty-seven years of annual principal and interest.

Details of notes payable outstanding at June 30, 2014 and 2013 are shown in the chart below:

Notes Payable for Years Ending June 30:	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2013	Balance 2014
VJF - Northfield Savings Bank, FSB	\$ 3,400	12/13/07	12/15/22	3.25%	\$ 2,870	\$ 2,740
VJF - State of Vermont	10,000	02/20/14	10/31/14	0.55%	0	10,000
VJF - Total Notes Payable	\$ 13,400			1.13%	\$ 2,870	\$ 12,740
VACC - CoBank, ACB.	\$ 30,000	12/31/12	12/31/13	2.15%	\$ 17,500	\$ 3,500
VSBD - USDA Rural Development IRP	\$ 1,000	08/08/89	08/08/19	1.00%	\$ 289	\$ 249
VSBD - USDA Rural Development IRP	1,000	10/04/94	10/04/24	1.00%	475	437
VSBD - USDA Rural Development IRP	1,000	03/16/95	03/16/25	1.00%	463	425
VSBD - USDA Rural Development IRP	200	03/09/06	03/09/24	1.00%	126	116
VSBD - USDA Rural Development IRP	750	03/09/06	03/09/36	1.00%	750	750
VSBD - USDA Rural Development IRP	750	06/27/08	06/27/38	1.00%	651	626
VSBD - USDA Rural Development IRP	750	10/29/09	10/29/39	1.00%	701	676
VSBD - USDA Rural Development IRP	750	11/18/10	11/18/40	1.00%	750	726
VSBD - USDA Rural Development IRP	1,000	01/10/14	01/10/44	1.00%	0	475
VSBD - USDA Rural Development	\$ 7,200			1.00%	\$ 4,205	\$ 4,480
VT504 - USDA Rural Development IRP	\$ 750	10/29/09	10/29/39	1.00%	\$ 750	\$ 726
VT504 - USDA Rural Development IRP	\$ 750	11/18/10	11/18/40	1.00%	750	750
VT504 - USDA Rural Development IRP	1,000	02/10/14	02/10/44	1.00%	0	250
Non-Major Funds Combined	\$ 2,500			1.00%	\$ 1,500	\$ 1,726
Total Notes Payable	\$ 53,100			1.25%	\$ 26,075	\$ 22,446

The schedules below detail the changes in notes payable over the past two years:

Changes in Note Payable For Year Ending June 30, 2014:	2014 Beginning Balance	Add New Debt	Less Debt Paid	2014 Ending Balance
VJF	\$ 2,870	\$ 10,000	\$ 130	\$ 12,740
VACC	17,500	13,000	27,000	3,500
VSBD	4,205	475	200	4,480
Non-Major Funds Combined	1,500	250	24	1,726
Total for FY 2014	\$ 26,075	\$ 23,725	\$ 27,354	\$ 22,446

Changes in Note Payable For Year Ending June 30, 2013:	2013 Beginning Balance	Add New Debt	Less Debt Paid	2013 Ending Balance
VJF	\$ 2,996	\$ 0	\$ 126	\$ 2,870
VACC	25,500	12,000	20,000	17,500
VSBD	4,379	0	174	4,205
Non-Major Funds Combined	1,500	0	0	1,500
Total for FY 2013	\$ 34,375	\$ 12,000	\$ 20,300	\$ 26,075

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The aggregate maturities of the notes payable principal and interest for future years are as follows:

Notes Payable Principal: Fiscal Year	Non-Major Funds				Notes Payable Interest: Fiscal Year	Non-Major Funds			
	VJF	VACC	VSBCD	Combined		VJF	VACC	VSBCD	Combined
2015	\$ 10,134	\$ 3,500	\$ 228	\$ 49	\$ 127	\$ 71	\$ 45	\$ 17	
2016	139	0	229	49	84	0	43	17	
2017	143	0	231	50	79	0	40	16	
2018	148	0	271	90	75	0	38	16	
2019	153	0	274	91	69	0	35	15	
2020-2024	2,023	0	1,244	433	202	0	137	60	
2025-2029	0	0	788	276	0	0	83	43	
2030-2034	0	0	630	290	0	0	48	29	
2035-2039	0	0	491	304	0	0	18	14	
2040-2044	0	0	94	94	0	0	1	1	
Total	\$ 12,740	\$ 3,500	\$ 4,480	\$ 1,726	\$ 636	\$ 71	\$ 488	\$ 228	

Financial Debt Covenants

Under the commercial paper and certain note payable debt agreements, the Authority has agreed to comply with certain financial covenants. The covenants require certain minimum equity levels and to maintain the amount of adversely classified loans below a specified level. As of and for the years ended June 30, 2014 and 2013, the Authority believes it has met its required financial covenants.

(7) Small Business Administration Debentures

The VT504 approves the issuance of SBA guaranteed debentures and uses the proceeds to make loans to eligible businesses. The debentures and the loans they fund are not included in the *Statement of Net Position* of VT504 and accordingly, are not included in these financial statements. The VT504 acts as an originator and servicing agent for the SBA and has no obligation to repay the debentures. The VT504 was servicing \$17,150 and \$19,157 of loans at June 30, 2014 and 2013, respectively. The VT504 received \$144 and \$175 in fees to service these loans in 2014 and 2013, respectively.

(8) Operating Leases

The Authority has owned its primary headquarters building located in Montpelier, Vermont since 2007. The real property includes land, adequate parking, and two buildings. The “main” building consists of four floors with aggregate office space of approximately 20,000 square feet; the second building has approximately 2,400 square feet of leasable office space. The Authority occupies the third and fourth floors of the main building as its primary offices and leases the remaining space.

VEDA has operating leases for space in the two buildings it owns. The first two floors in the main building are leased to a single not-for-profit tenant. The lease is for fifteen years with fixed monthly payments for ten years; in the eleventh year the fixed monthly payments increase by 25% and remain fixed at that level for the remaining five years of the lease. The lease requires the lessee to pay a pro-rata share of certain occupancy related expenses including taxes, maintenance, and utilities.

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The space in the smaller building is leased to multiple tenants. The leases range from month-to-month to a maximum term of one year. The terms of the leases call for fixed monthly payments. Rental income in 2014 and 2013 from both buildings, totaled \$215 and \$214, respectively and includes the pro rata share of operating expenses paid by the lessee noted above. The projected fixed-lease payments from VEDA tenants are shown in the chart to the right.

Lease Revenue 56-58 East State	
Fiscal Year	VJF
2015	\$ 131
2016	131
2017	132
2018	158
2019	159
2020-2024	482
2025-2029	0
Total	\$ 1,193

Early in fiscal 2014, the Authority entered into a ten year lease for 4,175 square feet of office space and common area at 60 Main Street in Burlington, Vermont. Under the lease, the Authority has fixed monthly payments

Lease Expense 60 Main Street	
Fiscal Year	VJF
2015	\$ 52
2016	52
2017	53
2018	54
2019	71
2020-2024	75
2025-2029	77
Total	\$ 434

and a share of common area maintenance and other costs. Lease payments over the remaining term of the lease are shown by fiscal year in the chart to the left. Prior to entering into the long-term lease for space in Burlington, VEDA had a annually renewable leases for space in the same Burlington location as well as three satellite offices located in Middlebury, Brattleboro, and St. Johnsbury. The Authority paid occupancy expenses under these leases for the years ended June 30, 2014 and 2013, of \$77 and \$26, respectively.

(9) Retirement Plan

The Authority has a non-contributory defined contribution retirement plan for all employees who have completed one year of service. Contributions are based on ten percent of each participant’s compensation. Contributions are made to individual Simplified Employer Plan (“SEP”) accounts held by a financial institution in the participant’s name. Contributions are immediately 100% vested. Information regarding the Authority’s retirement plan contributions as a percent of total payroll for employees for the last three years is shown in the chart below:

Retirement Plan for Fiscal Years ending June 30:	2012	2013	2014
Contributions to Simplified Employer Plan ("SEP")	\$ 172	\$ 227	\$ 211
SEP Contributions as a % of Covered Payroll	10%	10%	10%

The Authority does not offer any additional post-employment benefits to its employees.

(10) Contingent Liabilities

Insurance Programs

Under the Authority’s two insurance programs (the MIP and FAP) VEDA has a contingent liability to lending institutions for the portion of loans VEDA insures. The full faith and credit of the State is pledged to support the activities of the two programs. The insured loan balances in the MIP totaled

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\$1,398 and \$1,424 at June 30, 2014 and 2013, respectively. The contingent liability for the FAP totaled \$193 and \$512 at June 30, 2014 and 2013, respectively.

In fiscal 2014, two loans totaling \$1,310 insured under the MIP experienced business problems sufficient to make a loss probable should the either company have to liquidate its collateral to pay its debt. The combined estimated range of loss is \$393 to \$784. The Authority recorded a provision for loss on insured loans of \$393. Losses on FAP insured loans totaled \$22 in 2013; there were no such losses in 2014. The losses in the MIP and FAP are recorded under the caption "Provision for losses on insured loans" on the *Statement of Revenues, Expenses and Changes in Net Position*.

Other Contingent Liabilities

The Authority receives financial assistance from the Federal government in the form of loan guarantees, grants and interest subsidies. Entitlement to Federal financial assistance is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. All Federal financial assistance programs are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies. Any guarantees paid or subsidy amounts received that are disallowed as a result of these audits would become a liability of the Authority. At June 30, 2014 and 2013, management was not aware of any such disallowance.

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages these risks through commercial insurance purchased in the name of the Authority. Insurance settlements have not exceeded insurance coverage for any of the past three years, nor have there been any reductions in insurance coverage.

(11) Loan Commitments Outstanding

At June 30, 2014 the Authority had commitments for new loans and undisbursed amounts on existing loans. These amounts are expected to be disbursed in the next fiscal year and are detailed below:

Outstanding Commitments Balances at June 30, 2014	VJF	VACC	VSBCD	Non-Major Funds Combined	VEDA TOTAL
Loan receivable commitments	\$ 13,103	\$ 4,319	\$ 909	\$ 0	\$ 18,331
Undisbursed loans receivable	3,004	2,488	474	0	5,966
Outstanding Commitments	\$ 16,107	\$ 6,807	\$ 1,383	\$ 0	\$ 24,297

The Authority expects these amounts to be disbursed in the next six months.

(12) Relationships with the State of Vermont and Other Related Parties

Advances

In 2014, the Authority received an advance (the "2014 Advance") of \$5,500 from the State to fund a portion of a project to build a State office building in St. Albans, Vermont. The terms of the agreement

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with the State stipulate that as VEDA's borrower repays the loaned funds, the principal portion will be held by VEDA until such time as it is requested from the State. VEDA's obligation to repay the advanced funds is limited to repayments received from the Authority's borrower.

In 2013, the Authority received an advance for \$1,800 in the VSBDC for an interest rate subsidy program for small businesses impaired by the floods in May 2011 and the Tropical Storm Irene in September 2011 (the "Flood Advance"). Under the agreement with the State, the Flood Advance is earned annually in an amount equal to the interest subsidies earned on loans enrolled in the two flood loan programs. The amount of the Flood Advance earned in 2014 and 2013 was \$225 and \$687 respectively; \$316 of the advance was returned to the State in 2014. The amount of the advance outstanding at June 30, 2014 and 2013 was \$31 and \$573 respectively.

In 2009, the Authority received an advance (the "2009 Advance") of \$1,250 from the State for interest subsidies in the VJF to stimulate economic activity. Under the agreement with the State, the 2009 Advance is earned annually in an amount equal to the interest subsidies earned on loans enrolled in the program, net of the interest expense saved through use of the funds. The amount of the 2009 Advance earned in 2014 and 2013 was \$392 and \$291, respectively. The 2009 Advance had \$144 and \$536 of the advance remaining at June 30, 2014 and 2013, respectively.

The amounts earned on advances are reflected under the caption "Deferred Appropriation Earned" on the *Statement of Revenues, Expenses and Changes in Net Position* and the outstanding advance balances are reflected on the *Statement of Net Position* under the caption "Other Liability – State of Vermont."

Insurance Fund and Financial Access Programs

By statute the State of Vermont pledges its full faith and credit to support the operations of the MIP and FAP. The statute also calls for all net income to be transferred annually to the State. The transfers between the programs and the State are recorded on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption "Non-operating income from State of Vermont" if VEDA receives funds or "Non-operating expense to the State" if VEDA disbursed funds.

Agency Funds

VEDA services loan programs for various Agencies of the State. The Authority provides underwriting, servicing, fiduciary and accounting services for these programs. VEDA holds cash for all programs and loans receivable for three programs in the Authority's name. These assets are recorded on the *Statement of Fiduciary Assets and Liabilities for the Agency Funds*. The Agency Fund programs are described in more detail below:

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Drinking Water State Revolving Fund (“DWF”)

VEDA assists the Agency of Natural Resources (“ANR”) in the operation of the DWF which makes loans to private entities for drinking water-related projects. The Authority issues loans receivable and is assisted by the ANR in approving the loans. ANR transferred \$1,500 to the Authority in 2013 for the purpose of making the DWF loans; no such transfers were made in 2014. The VJF earned \$114 and \$100 in fees in 2014 and 2013, respectively.

Clean Energy Development Fund (“CEDF”)

The Authority provides services to CEDF which is operated in conjunction with the State Department of Public Service (“DPS”). The CEDF makes grants and loans to businesses for the purpose of developing and marketing renewable and clean sources of energy. DPS transferred \$1,016 to the Authority in 2013 for the purpose of making the CEDF loans; no such transfers were made in 2014. The VJF earned \$52 and \$45 in fees for services in 2014 and 2013, respectively.

State Infrastructure Bank (“SIB”)

The SIB makes municipal and private sector loans for transportation infrastructure-related projects at the direction of its Board and in conjunction with the State Agency of Transportation. The VJF earned \$6 and \$7 in fees for services in 2014 and 2013, respectively.

Brownfield Revitalization Fund (“BRF”)

The Authority provides services to the State Agency of Commerce and Community Development (“ACCD”) in the operation of the BRF. The BRF makes loans to businesses or individuals for the purpose of cleaning up environmentally “dirty” sites (a “Brownfield”). The VJF earned \$7 and \$5 in fees for services in 2014 and 2013, respectively.

A summary of the cash and loans receivable at June 30, 2014 and 2013 for the respective State agencies are shown in the chart below:

At June 30, 2014:	DWF	CEDF	SIB	BRF	TOTAL
Cash and cash equivalents	\$ 1,908	\$ 797	\$ 3,150	\$ 128	\$ 5,983
Loans receivable	14,880	4,147	0	341	19,368
Total Due To Agency	\$ 16,788	\$ 4,944	\$ 3,150	\$ 469	\$ 25,351

At June 30, 2013:	DWF	CEDF	SIB	BRF	TOTAL
Cash and cash equivalents	\$ 934	\$ 1,134	\$ 3,074	\$ 141	\$ 5,283
Loans receivable	14,820	4,688	0	345	19,853
Total Due To Agency	\$ 15,754	\$ 5,822	\$ 3,074	\$ 486	\$ 25,136

Grants on Behalf of the State

Pursuant to an agreement with the State, VEDA funds grants made by two State Agencies. The grants fund farm waste remediation and disposal projects as well as projects to control the pollution of lakes and streams in Vermont. No grants were disbursed in 2014 or 2013. This amount is not reflected on the *Statement of Revenues, Expenses and Changes in Net Position* because the grant is offset by a commensurate amount of forgiveness of the “Other Liability - State of Vermont.” The remaining amount

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available for grants at June 30, 2014 and 2013 totaled \$201,485. The funds are disbursed at the direction of the Agencies.

Other Related Parties

In 2010, a Member of the Authority took the position of Chief Financial Officer for a VEDA Borrower. The Borrower's loan from VEDA is in the amount of \$1,300 and was approved by the Members in May 2009 prior to the Member accepting the position. The balance on the related party loan was \$495 and \$676 at June 30, 2014 and 2013, respectively. As of June 30, 2014, the member had retired from the board.

(13) Restricted Net Position

VEDA had restricted net position of \$26,954 and \$26,757 at June 30, 2014 and 2013, respectively. The detail of the amounts and changes in restricted net position in each the past two years is shown in the chart and text below:

Restricted Net Position for Years	Balance at	Increase	Balance at	Increase	Balance at
Ending June 30, 2012, 2013 & 2014:	06/30/2012	(Decrease)	06/30/2013	(Decrease)	06/30/2014
For commercial paper collateral	\$ 20,046	\$ 18	\$ 20,064	\$ 6	\$ 20,070
For Vermont seed capital fund	4,040	57	4,097	14	4,111
For interest rate subsidies	1,582	(1,039)	543	(318)	225
For energy guarantee program	0	500	500	500	1,000
For federal program	0	107	107	166	273
For VEDA Capital Access Program	15	34	49	16	65
VJF Total	25,683	(323)	25,360	384	25,744
For interest rate subsidies	1,150	(299)	851	(242)	609
For investment in Cobank	496	50	546	55	601
VACC Total	1,646	(249)	1,397	(187)	1,210
Totals at June 30, 2012, 2013 and 2014	\$ 27,329	\$ (572)	\$ 26,757	\$ 197	\$ 26,954

Commercial Paper Collateral

Under the letter of credit agreement with JPM (Note 5) the Authority is required to have a minimum of \$20,000 in fair value of marketable securities held with a trustee as collateral. In addition, the Authority must also place with the trustee the amount of interest due the holders of the VEDA commercial paper at maturity of the CP. These amounts are represented as restricted assets on the *Statement of Net Position*.

Vermont Seed Capital Fund

The Authority has net position restricted representing its investment in the Vermont Seed Capital Fund (Note 3). By statute, all revenues derived from the fund must be reinvested in the fund. Consequently, the amount of the investment is recorded on the *Statement of Net Position* as a restricted investment.

Interest Rate Subsidies

Beginning in fiscal year 2000, the Authority has periodically received resources from the State (appropriations and debt forgiveness) for interest rate subsidies. For VEDA, a subsidy is defined as the difference between the interest rate charged to a borrower and the interest rate that is required to cover operating costs and provide growth in net position. As a result of various agreements with the

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State, amounts are recorded as net position restricted “For interest rate subsidies” on *Statement of Net Position* (VJF and VACC). As the interest subsidies are earned, restricted net position is reduced and unrestricted net position is increased. Under the agreements, no restriction was placed on the assets provided to the Authority and consequently there are no corresponding restricted assets on the *Statement of Net Position*.

Energy Loan Guarantee Program

The Authority has contributed \$500 for the cash corpus of a reserve fund for VEDA guarantees on bank loans made for energy generation or conservation projects. In 2014, the State matched VEDA’s contribution with a \$500 appropriation to make the aggregate reserve \$1,000. As of June 30, 2014 no financial institutions had enrolled loans in the loan guarantee program.

Federal Program

Under the terms of the agreement with the US Treasury for the State Small Business Credit Initiative (Note 13) the portion of interest and fee revenue generated through the use of the federal funds must be restricted for use within the approved federal programs.

VEDA Capital Access Program (“VCAP”)

Included in Restricted cash and cash equivalents was \$130 and \$87 in the VJF at June 30, 2014 and 2013, respectively. These amounts are reserve funds held at banks participating in the VCAP. The Authority’s portion of the reserve accounts are recorded as restricted net position and the participating bank’s portion is recorded under the caption “Escrow and reserve accounts” on the *Statement of Net Position*.

Investment in Cobank

As part of the agreement with Cobank (Note 6) the VACC is required to purchase stock in Cobank which can only be redeemed when the relationship is terminated. The investment is recorded under the caption “Restricted investments” on the *Statement of Net Position*.

(14) Deferred Revenue for Federal Program

In 2011, the United States Department of Treasury, under the State Small Business Credit Initiative Act of 2010 (“SSBCI”) disbursed \$4,346 to the Authority as part of a total allocation of \$13,168 to the State. In 2014, the remaining \$8,823 was received. The SSBCI funds are used to fund a portion of eligible projects in the VJF. In 2013 VEDA amended its SSBCI program with Treasury and under the amendment the VCAP was eliminated from the Federal program though it continues to be operated using VEDA funds. In addition, the commercial and small business programs were consolidated within the VJF.

The SSBCI funds are recorded on the *Statement of Net Position* under the caption “Deferred revenue for federal program.” The revenue is earned at the time funds are disbursed on an eligible loans receivable. The amount of SSBCI funds earned on any project cannot exceed the lower of 20% of the total project costs or the VEDA note amount. The Authority earned \$4,441 and \$2,267 in 2014 and 2013, respectively and is recorded on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption “Federal Grant Revenue Earned.” The Authority had deferred revenue related to the SSBCI programs of \$4,659 and \$277 at June 30, 2014 and 2013, respectively.

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VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

SUPPLEMENTARY INFORMATION

Combining Financial Statements - Non-Major Funds Combined

Combining Financial Statements – Vermont Small Business Development Corporation

Combining Financial Statements – Vermont 504 Corporation

June 30, 2014 and 2013

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Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Net Position - Non-Major Funds Combined
as of June 30, 2014

All Dollar Amounts in Thousands

Assets	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:				
Cash and cash equivalents:				
Unrestricted	\$ 878	\$ 0	\$ 0	\$ 878
Restricted	<u>0</u>	<u>5</u>	<u>58</u>	<u>63</u>
Total cash and cash equivalents	878	5	58	941
Loans receivable	104	0	0	104
Accrued interest receivable	3	0	0	3
Receivable from State of Vermont	0	393	0	393
Other assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total current assets	<u>985</u>	<u>398</u>	<u>58</u>	<u>1,441</u>
Loans receivable, less current portion	1,832	0	0	1,832
Less allowance for loan losses	<u>(176)</u>	<u>0</u>	<u>0</u>	<u>(176)</u>
Loans receivable, less current portion, net of allowance	1,656	0	0	1,656
Total assets	\$ 2,641	\$ 398	\$ 58	\$ 3,097
Liabilities				
Current Liabilities:				
Notes payable	\$ 49	\$ 0	\$ 0	\$ 49
Escrow and reserve accounts	0	0	58	58
Interfund accounts payable	20	2	0	22
Due to State of Vermont	0	3	0	3
Reserve for losses on insured loans	0	393	0	393
Accrued interest payable	<u>10</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total current liabilities	79	398	58	535
Notes payable, less current portion	<u>1,677</u>	<u>0</u>	<u>0</u>	<u>1,677</u>
Total liabilities	\$ 1,756	\$ 398	\$ 58	\$ 2,212
Net Position				
Unrestricted net position	<u>\$ 885</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 885</u>

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Net Position - Non-Major Funds Combined
as of June 30, 2013

All Dollar Amounts in Thousands

Assets	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:				
Cash and cash equivalents:				
Unrestricted	\$ 687	\$ 0	\$ 0	\$ 687
Restricted	<u>0</u>	<u>28</u>	<u>78</u>	<u>106</u>
Total cash and cash equivalents:	687	28	78	793
Loans receivable	123	0	0	123
Accrued interest receivable	4	0	1	5
Other assets	0	4	0	4
Total current assets	<u>814</u>	<u>32</u>	<u>79</u>	<u>925</u>
Loans receivable, less current portion	1,602	0	0	1,602
Less allowance for loan losses	<u>(94)</u>	<u>0</u>	<u>0</u>	<u>(94)</u>
Loans receivable, less current portion, net of allowance	1,508	0	0	1,508
Total assets	\$ 2,322	\$ 32	\$ 79	\$ 2,433
Liabilities				
Current Liabilities:				
Notes payable	\$ 24	\$ 0	\$ 0	\$ 24
Escrow and reserve accounts	0	0	76	76
Interfund accounts receivable	(53)	(8)	0	(61)
Due to State of Vermont	0	40	3	43
Accrued interest payable	<u>10</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total current liabilities	(19)	32	79	92
Notes payable, less current portion	<u>1,476</u>	<u>0</u>	<u>0</u>	<u>1,476</u>
Total liabilities	\$ 1,457	\$ 32	\$ 79	\$ 1,568
Net Position				
Unrestricted net position	\$ <u>865</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>865</u>

Vermont Economic Development Authority
 (A Component Unit of the State of Vermont)
Combining Statement of Revenues, Expenses and Changes in Net Position -
Non-Major Funds Combined
For the year ended June 30, 2014
All Dollar Amounts in Thousands

	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Operating Revenues:				
Cash and investment interest	\$ 2	\$ 0	\$ 0	\$ 2
Loans receivable interest	91	0	0	91
Other revenues	<u>144</u>	<u>65</u>	<u>0</u>	<u>209</u>
Total operating revenues	<u>237</u>	<u>65</u>	<u>0</u>	<u>302</u>
Operating Expenses:				
Interest on notes payable	16	0	0	16
Provision for loan losses	82	0	0	82
Provision for losses on insured loans	0	393	0	393
Professional fees	9	0	0	9
Interfund expense allocation	<u>116</u>	<u>11</u>	<u>0</u>	<u>127</u>
Total operating expenses	<u>223</u>	<u>404</u>	<u>0</u>	<u>627</u>
Operating income (loss)	14	(339)	0	(325)
Non-operating revenue (expense):				
Non-operating revenue - State of Vermont	0	393	0	393
Non-operating expense - State of Vermont	0	(54)	0	(54)
Interfund non-operating revenue	<u>6</u>	<u>0</u>	<u>0</u>	<u>6</u>
Total non-operating revenue	<u>6</u>	<u>339</u>	<u>0</u>	<u>345</u>
Net increase in net position	20	0	0	20
Net position at beginning of year	<u>865</u>	<u>0</u>	<u>0</u>	<u>865</u>
Net position at end of year	<u>\$ 885</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 885</u>

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Revenues, Expenses and Changes in Net Position -
Non-Major Funds Combined
For the year ended June 30, 2013
All Dollar Amounts in Thousands

	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Operating Revenues:				
Cash and investment interest	\$ 1	\$ 0	\$ 1	\$ 2
Loans receivable interest	94	0	0	94
Other revenues	<u>175</u>	<u>21</u>	<u>0</u>	<u>196</u>
Total operating revenues	<u>270</u>	<u>21</u>	<u>1</u>	<u>292</u>
Operating Expenses:				
Interest on notes payable	15	0	0	15
Provision for loan losses	(3)	0	0	(3)
Provision for losses on insured loans	0	0	22	22
Professional fees	8	0	0	8
Interfund expense allocation	<u>130</u>	<u>8</u>	<u>0</u>	<u>138</u>
Total operating expenses	<u>150</u>	<u>8</u>	<u>22</u>	<u>180</u>
Operating income (loss)	120	13	(21)	112
Non-operating revenue (expense):				
Non-operating revenue - State of Vermont	0	0	22	22
Non-operating expense - State of Vermont	0	(13)	(1)	(14)
Interfund non-operating revenue	<u>8</u>	<u>0</u>	<u>0</u>	<u>8</u>
Total non-operating revenue (expense)	<u>8</u>	<u>(13)</u>	<u>21</u>	<u>16</u>
Net increase in net position	128	0	0	128
Net position at beginning of year	<u>737</u>	<u>0</u>	<u>0</u>	<u>737</u>
Net position at end of year	<u>\$ 865</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 865</u>

Vermont Economic Development Authority
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Combining Statement of Cash Flows - Non-Major Funds Combined
For the Year Ended June 30, 2014
All Dollar Amounts in Thousands

	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Cash flows from operating activities:				
Interest received on loans receivable	\$ 92	\$ 0	\$ 0	\$ 92
Other revenues received	144	65	0	209
Operating expenses paid other than interest	(52)	3	0	(49)
Disbursements to participating banks, net	0	0	(18)	(18)
Principal received on loans receivable	151	0	0	151
Net cash provided by (used for) operating activities	<u>335</u>	<u>68</u>	<u>(18)</u>	<u>385</u>
Cash flows from non-capital financing activities:				
Interest paid on notes payable	(16)	0	0	(16)
Interfund non-operating income received	6	0	0	6
Interfund transfer of loans receivable for cash	(362)	0	0	(362)
Non-operating expense paid - State of Vermont	0	(91)	(3)	(94)
Proceeds from notes payable	250	0	0	250
Payments on notes payable	<u>(24)</u>	<u>0</u>	<u>0</u>	<u>(24)</u>
Net cash used for non-capital financing activities	<u>(146)</u>	<u>(91)</u>	<u>(3)</u>	<u>(240)</u>
Cash flows from investing activities:				
Interest received on cash and investments	<u>2</u>	<u>0</u>	<u>1</u>	<u>3</u>
Net cash provided by investing activities	<u>2</u>	<u>0</u>	<u>1</u>	<u>3</u>
Net increase (decrease) in cash and cash equivalents	191	(23)	(20)	148
Cash and cash equivalents at beginning of year	<u>687</u>	<u>28</u>	<u>78</u>	<u>793</u>
Cash and cash equivalents at end of year	\$ <u>878</u>	\$ <u>5</u>	\$ <u>58</u>	\$ <u>941</u>
Reconciliation of Operating Income (Loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 14	\$ (339)	\$ 0	\$ (325)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:				
Interest income on investment activities	(2)	0	(1)	(3)
Interest paid on notes payable	16	0	0	16
Provision for loan losses	82	0	0	82
Provision for losses on insured loans	0	393	0	393
Interfund transfer of loans receivable	362	0	0	362
Changes in assets and liabilities:				
Loans receivable	(211)	0	0	(211)
Accrued interest receivable	1	0	1	2
Other assets	0	4	0	4
Escrow and reserve accounts	0	0	(18)	(18)
Interfund accounts payable	<u>73</u>	<u>10</u>	<u>0</u>	<u>83</u>
Net cash provided by (used for) operating activities	<u>\$ 335</u>	<u>\$ 68</u>	<u>\$ (18)</u>	<u>\$ 385</u>

Vermont Economic Development Authority
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Combining Statement of Cash Flows - Non-Major Funds Combined
For the Year Ended June 30, 2013
All Dollar Amounts in Thousands

	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Cash flows from operating activities:				
Interest received on loans receivable	\$ 95	\$ 0	\$ 0	\$ 95
Other revenues received	175	21	0	196
Operating expenses paid other than interest	(192)	(18)	0	(210)
Disbursements to participating banks, net	0	0	(16)	(16)
Principal received on loans receivable	163	0	0	163
Principal disbursed on loans receivable	<u>(15)</u>	<u>0</u>	<u>0</u>	<u>(15)</u>
Net cash provided by (used for) operating activities	<u>226</u>	<u>3</u>	<u>(16)</u>	<u>213</u>
Cash flows from non-capital financing activities:				
Interest paid on notes payable	(15)	0	0	(15)
Non-operating revenue received - State of Vermont	0	0	22	22
Interfund operating transfer received	8	0	0	8
Interfund transfer of loans receivable for cash	60	0	0	60
Payments for losses on insured loans, net	<u>0</u>	<u>0</u>	<u>(22)</u>	<u>(22)</u>
Net cash provided by non-capital financing activities	<u>53</u>	<u>0</u>	<u>0</u>	<u>53</u>
Cash flows from investing activities:				
Interest received on cash and investments	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Net cash provided by investing activities	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	280	3	(16)	267
Cash and cash equivalents at beginning of year	<u>407</u>	<u>25</u>	<u>94</u>	<u>526</u>
Cash and cash equivalents at end of year	\$ <u>687</u>	\$ <u>28</u>	\$ <u>78</u>	\$ <u>793</u>
Reconciliation of Operating Income (Loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 120	\$ 13	\$ (21)	\$ 112
Adjustments to reconcile operating income (loss) to net provided by (cash used) for operating activities:				
Interest income on investment activities	(1)	0	0	(1)
Interest expense paid on notes payable	15	0	0	15
Provision for loan losses	(2)	0	0	(2)
Provision for losses on insured loans	0	0	22	22
Interfund transfer of loans receivable	(60)	0	0	(60)
Changes in assets and liabilities:				
Loans receivable	207	0	0	207
Allowance for loan losses	0	0	0	0
Accrued interest receivable	1	0	(1)	0
Other assets	0	(4)	0	(4)
Escrow and reserve accounts	0	0	(16)	(16)
Accounts payable and accrued expenses	0	0	0	0
Interfund accounts payable	<u>(54)</u>	<u>(6)</u>	<u>0</u>	<u>(60)</u>
Net cash provided by (used for) operating activities	<u>\$ 226</u>	<u>\$ 3</u>	<u>\$ (16)</u>	<u>\$ 213</u>

Vermont Small Business Development Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Net Position
as of June 30, 2014 and 2013
All Dollar Amounts in Thousands

	as of June 30, 2014			as of June 30, 2013		
	VSBD IRP Fund	VSBD Loan Fund	VSBD Combined Total	VSBD IRP Fund	VSBD Loan Fund	VSBD Combined Total
	Assets					
Current Assets:						
Cash and cash equivalents:						
Unrestricted	\$ 297	\$ 306	\$ 603	\$ 632	\$ 406	\$ 1,038
Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total cash and cash equivalents	<u>297</u>	<u>306</u>	<u>603</u>	<u>632</u>	<u>406</u>	<u>1,038</u>
Loans receivable	700	2,054	2,754	497	2,477	2,974
Accrued interest receivable	14	30	44	13	19	32
Other assets	<u>9</u>	<u>4</u>	<u>13</u>	<u>3</u>	<u>1</u>	<u>4</u>
Total current assets	<u>1,020</u>	<u>2,394</u>	<u>3,414</u>	<u>1,145</u>	<u>2,903</u>	<u>4,048</u>
Loans receivable, less current portion	5,600	11,018	16,618	4,112	14,426	18,538
Less allowance for loan losses	<u>(308)</u>	<u>(1,274)</u>	<u>(1,582)</u>	<u>(420)</u>	<u>(584)</u>	<u>(1,004)</u>
Loans receivable, less current portion, net of allowance	<u>5,292</u>	<u>9,744</u>	<u>15,036</u>	<u>3,692</u>	<u>13,842</u>	<u>17,534</u>
Total assets	\$ 6,312	\$ 12,138	\$ 18,450	\$ 4,837	16,745	\$ 21,582
Liabilities						
Current Liabilities:						
Interfund note payable	\$ 0	\$ 10,300	\$ 10,300	\$ 0	\$ 14,550	\$ 14,550
Notes payable	228	0	228	201	0	201
Interfund accounts (receivable) payable	(59)	132	73	(786)	(974)	(1,760)
Other liability - State of Vermont	0	32	32	0	573	573
Accrued interest payable	<u>19</u>	<u>0</u>	<u>19</u>	<u>19</u>	<u>0</u>	<u>19</u>
Total current liabilities	188	10,464	10,652	(566)	14,149	13,583
Notes payable, less current portion	<u>4,252</u>	<u>0</u>	<u>4,252</u>	<u>4,004</u>	<u>0</u>	<u>4,004</u>
Total liabilities	\$ 4,440	\$ 10,464	\$ 14,904	\$ 3,438	14,149	\$ 17,587
Net Position						
Unrestricted net position	<u>\$ 1,872</u>	<u>\$ 1,674</u>	<u>\$ 3,546</u>	<u>\$ 1,399</u>	<u>\$ 2,596</u>	<u>\$ 3,995</u>

Vermont Small Business Development Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014 and 2013

All Dollar Amounts in Thousands

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	VSBD IRP Fund	VSBD Loan Fund	VSBD Combined Total	VSBD IRP Fund	VSBD Loan Fund	VSBD Combined Total
	Operating Revenues:					
Cash and investment interest	\$ 3	\$ 2	\$ 5	\$ 1	\$ 1	\$ 2
Loans receivable interest	259	591	850	326	556	882
Other revenues	<u>11</u>	<u>22</u>	<u>33</u>	<u>0</u>	<u>57</u>	<u>57</u>
Total operating revenues	<u>273</u>	<u>615</u>	<u>888</u>	<u>327</u>	<u>614</u>	<u>941</u>
Operating Expenses:						
Interfund interest expense	0	139	139	0	234	234
Interest on notes payable	42	0	42	43	0	43
Provision for loan losses	(81)	894	813	(76)	(224)	(300)
Professional fees	6	(3)	3	9	(2)	7
Interfund expense allocation	<u>98</u>	<u>275</u>	<u>373</u>	<u>104</u>	<u>463</u>	<u>567</u>
Total operating expenses	<u>65</u>	<u>1,305</u>	<u>1,370</u>	<u>80</u>	<u>471</u>	<u>551</u>
Operating income (loss)	208	(690)	(482)	247	143	390
Non-operating revenue:						
Federal grant revenue earned	0	0	0	0	1,376	1,376
Non-operating revenue - State of Vermont	0	69	69	0	0	0
Deferred appropriation earned	0	225	225	0	687	687
Interfund non-operating revenue (expense)	<u>265</u>	<u>(526)</u>	<u>(261)</u>	<u>37</u>	<u>(113)</u>	<u>(76)</u>
Total non-operating revenue (expense)	<u>265</u>	<u>(232)</u>	<u>33</u>	<u>37</u>	<u>1,950</u>	<u>1,987</u>
Net increase (decrease) in net position	473	(922)	(449)	284	2,093	2,377
Net position at beginning of year	<u>1,399</u>	<u>2,596</u>	<u>3,995</u>	<u>1,115</u>	<u>503</u>	<u>1,618</u>
Net position at end of year	<u>\$ 1,872</u>	<u>\$ 1,674</u>	<u>\$ 3,546</u>	<u>\$ 1,399</u>	<u>\$ 2,596</u>	<u>\$ 3,995</u>

Vermont Small Business Development Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013
All Dollar Amounts in Thousands

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	VSBD IRP	VSBD Loan	VSBD Combined	VSBD IRP	VSBD Loan	VSBD Combined
	Fund	Fund	Total	Fund	Fund	Total
Cash flows from operating activities:						
Interest received on loans receivable	\$ 258	\$ 580	\$ 838	\$ 330	\$ 630	\$ 960
Other revenues received	11	22	33	0	57	57
Operating expenses paid other than interest	617	831	1,448	(2,511)	(490)	(3,001)
Principal received on loans receivable	683	3,823	4,506	920	4,045	4,965
Principal disbursed on loans receivable	<u>(835)</u>	<u>(1,970)</u>	<u>(2,805)</u>	<u>(69)</u>	<u>(5,518)</u>	<u>(5,587)</u>
Net cash provided by (used for) operating activities	<u>734</u>	<u>3,286</u>	<u>4,020</u>	<u>(1,330)</u>	<u>(1,276)</u>	<u>(2,606)</u>
Cash flows from noncapital financing activities:						
Interest paid on interfund note payable	0	(139)	(139)	0	(234)	(234)
Interest paid on notes payable	(42)	0	(42)	(44)	0	(44)
Federal program funds transferred in	0	0	0	0	813	813
Advanced funds returned to State of Vermont	0	(316)	(316)	0	0	0
Non-operating revenue - State of Vermont	0	69	69	0	0	0
Interfund non-operating revenue (expense)	265	(526)	(261)	37	(113)	(76)
Interfund transfer of loans receivable for cash	(1,570)	1,774	204	1,819	7,393	9,212
Proceeds from interfund note payable	0	0	0	0	1,750	1,750
Payments on interfund note payable	0	(4,250)	(4,250)	0	(8,650)	(8,650)
Proceeds from notes payable	475	0	475	0	0	0
Payments on notes payable	<u>(200)</u>	<u>0</u>	<u>(200)</u>	<u>(174)</u>	<u>0</u>	<u>(174)</u>
Net cash (used for) provided by non-capital financing activities	<u>(1,072)</u>	<u>(3,388)</u>	<u>(4,460)</u>	<u>1,638</u>	<u>959</u>	<u>2,597</u>
Cash flows from investing activities:						
Interest received on cash and investments	<u>3</u>	<u>2</u>	<u>5</u>	<u>1</u>	<u>1</u>	<u>2</u>
Net cash provided by investing activities	<u>3</u>	<u>2</u>	<u>5</u>	<u>1</u>	<u>1</u>	<u>2</u>
Net (decrease) increase in cash and cash equivalents	(335)	(100)	(435)	309	(316)	(7)
Cash and cash equivalents at beginning of year	632	406	1,038	323	722	1,045
Cash and cash equivalents at end of year	\$ 297	\$ 306	\$ 603	\$ 632	\$ 406	\$ 1,038
Reconciliation of Operating Income (Loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 208	\$ (690)	\$ (482)	\$ 247	\$ 143	\$ 390
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Interest income on investment activities	(3)	(2)	(5)	(1)	(1)	(2)
Interest paid on interfund notes payable	0	139	139	0	234	234
Interest expense on notes payable	42	0	42	43	0	43
Provision for loan losses	(81)	894	813	(76)	(224)	(300)
Interfund transfer of loans receivable for cash	1,570	(1,774)	(204)	(1,819)	(7,393)	(9,212)
Changes in assets and liabilities:						
Loans receivable	(1,691)	3,831	2,140	2,680	5,930	8,610
Allowance for loan losses	(31)	(204)	(235)	(10)	(26)	(36)
Accrued interest receivable	(1)	(11)	(12)	4	89	93
Other assets	(6)	(3)	(9)	(3)	0	(3)
Accounts payable and accrued expenses	0	0	0	0	(3)	(3)
Interfund accounts payable	<u>727</u>	<u>1,106</u>	<u>1,833</u>	<u>(2,395)</u>	<u>(25)</u>	<u>(2,420)</u>
Net cash provided by (used for) operating activities	<u>\$ 734</u>	<u>\$ 3,286</u>	<u>\$ 4,020</u>	<u>\$ (1,330)</u>	<u>\$ (1,276)</u>	<u>\$ (2,606)</u>

Vermont 504 Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Net Position
as of June 30, 2014 and 2013
All Dollar Amounts in Thousands

	as of June 30, 2014			as of June 30, 2013		
	VT504	VT504	VT504	VT504	VT504	VT504
	IRP	SBA CDC	Combined	IRP	SBA CDC	Combined
<u>Assets</u>	Fund	Fund	Total	Fund	Fund	Total
Current Assets:						
Unrestricted cash and cash equivalents	\$ 720	\$ 158	\$ 878	\$ 335	\$ 352	\$ 687
Loans receivable	104	0	104	123	0	123
Accrued interest receivable	3	0	3	4	0	4
Other assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total current assets	<u>827</u>	<u>158</u>	<u>985</u>	<u>462</u>	<u>352</u>	<u>814</u>
Loans receivable, less current portion	1,832	0	1,832	1,602	0	1,602
Less allowance for loan losses	<u>(176)</u>	<u>0</u>	<u>(176)</u>	<u>(94)</u>	<u>0</u>	<u>(94)</u>
Loans receivable, less current portion, net of allowance	<u>1,656</u>	<u>0</u>	<u>1,656</u>	<u>1,508</u>	<u>0</u>	<u>1,508</u>
Total assets	\$ 2,483	\$ 158	\$ 2,641	\$ 1,970	352	\$ 2,322
<u>Liabilities</u>						
Current Liabilities:						
Notes payable	\$ 49	\$ 0	\$ 49	\$ 24	\$ 0	\$ 24
Interfund accounts payable (receivable)	4	16	20	(59)	6	(53)
Accrued interest payable	<u>10</u>	<u>0</u>	<u>10</u>	<u>10</u>	<u>0</u>	<u>10</u>
Total current liabilities	63	16	79	(25)	6	(19)
Notes payable, less current portion	<u>1,677</u>	<u>0</u>	<u>1,677</u>	<u>1,476</u>	<u>0</u>	<u>1,476</u>
Total liabilities	\$ 1,740	\$ 16	\$ 1,756	\$ 1,451	6	\$ 1,457
<u>Net Position</u>						
Unrestricted net position	<u>\$ 743</u>	<u>\$ 142</u>	<u>\$ 885</u>	<u>\$ 519</u>	<u>\$ 346</u>	<u>\$ 865</u>

Vermont 504 Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014 and 2013
All Dollar Amounts in Thousands

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	VT504	VT504	VT504	VT504	VT504	VT504
	IRP	SBA CDC	Combined	IRP	SBA CDC	Combined
	Fund	Fund	Total	Fund	Fund	Total
Operating Revenues:						
Cash and investment interest	\$ 1	\$ 1	\$ 2	\$ 0	\$ 1	\$ 1
Loans receivable interest	91	0	91	94	0	94
Other revenues	<u>0</u>	<u>144</u>	<u>144</u>	<u>0</u>	<u>175</u>	<u>175</u>
Total operating revenues	<u>92</u>	<u>145</u>	<u>237</u>	<u>94</u>	<u>176</u>	<u>270</u>
Operating Expenses:						
Interest on notes payable	16	0	16	15	0	15
Provision for loan losses	82	0	82	(3)	0	(3)
Professional fees	0	9	9	0	8	8
Interfund expense allocation	<u>26</u>	<u>90</u>	<u>116</u>	<u>28</u>	<u>102</u>	<u>130</u>
Total operating expenses	<u>124</u>	<u>99</u>	<u>223</u>	<u>40</u>	<u>110</u>	<u>150</u>
Operating (expense) income	(32)	46	14	54	66	120
Interfund non-operating revenue (expense)	<u>256</u>	<u>(250)</u>	<u>6</u>	<u>8</u>	<u>0</u>	<u>8</u>
Net increase in net position	224	(204)	20	62	66	128
Net position at beginning of year	<u>519</u>	<u>346</u>	<u>865</u>	<u>457</u>	<u>280</u>	<u>737</u>
Net position at end of year	<u>\$ 743</u>	<u>\$ 142</u>	<u>\$ 885</u>	<u>\$ 519</u>	<u>\$ 346</u>	<u>\$ 865</u>

Vermont 504 Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013
All Dollar Amounts in Thousands

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	VT504	VT504	VT504	VT504	VT504	VT504
	IRP	SBA CDC	Combined	IRP	SBA CDC	Combined
	Fund	Fund	Total	Fund	Fund	Total
Cash flows from operating activities:						
Interest received on loans receivable	\$ 92	\$ 0	\$ 92	\$ 95	\$ 0	\$ 95
Other revenues received	0	144	144	0	175	175
Operating expenses paid other than interest	37	(89)	(52)	(84)	(108)	(192)
Principal received on loans receivable	151	0	151	163	0	163
Principal disbursed on loans receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>(15)</u>	<u>0</u>	<u>(15)</u>
Net cash provided by operating activities	<u>280</u>	<u>55</u>	<u>335</u>	<u>159</u>	<u>67</u>	<u>226</u>
Cash flows from noncapital financing activities:						
Interest paid on notes payable	\$ (16)	\$ 0	\$ (16)	\$ (15)	\$ 0	\$ (15)
Interfund non-operating revenue (expense)	256	(250)	6	8	0	8
Interfund transfer of loans receivable for cash	(362)	0	(362)	60	0	60
Proceeds from notes payable	250	0	250	0	0	0
Payments on notes payable	<u>(24)</u>	<u>0</u>	<u>(24)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net cash provided by (used for) non-capital financing activities	<u>104</u>	<u>(250)</u>	<u>(146)</u>	<u>53</u>	<u>0</u>	<u>53</u>
Cash flows from investing activities:						
Interest received on cash and investments	<u>1</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>1</u>
Net cash provided by investing activities	<u>1</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	385	(194)	191	212	68	280
Cash and cash equivalents at beginning of year	<u>335</u>	<u>352</u>	<u>687</u>	<u>123</u>	<u>284</u>	<u>407</u>
Cash and cash equivalents at end of year	\$ <u>720</u>	\$ <u>158</u>	\$ <u>878</u>	\$ <u>335</u>	\$ <u>352</u>	\$ <u>687</u>
Reconciliation of Operating (Loss) Income to net cash provided by operating activities:						
Operating (loss) income	\$ (32)	\$ 46	\$ 14	\$ 54	\$ 66	\$ 120
Adjustments to reconcile operating (loss) income to cash provided by (used for) operating activities:						
Interest income on investment activities	(1)	(1)	(2)	0	(1)	(1)
Interest expense on notes payable	16	0	16	15	0	15
Provision for loan losses	82	0	82	(2)	0	(2)
Interfund transfer of loans receivable	362	0	362	(60)	0	(60)
Changes in assets and liabilities:						
Loans receivable	(211)	0	(211)	207	0	207
Accrued interest receivable	1	0	1	1	0	1
Interfund accounts payable	<u>63</u>	<u>10</u>	<u>73</u>	<u>(56)</u>	<u>2</u>	<u>(54)</u>
Net cash provided by operating activities	<u>\$ 280</u>	<u>\$ 55</u>	<u>\$ 335</u>	<u>\$ 159</u>	<u>\$ 67</u>	<u>\$ 226</u>