



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, 2016 and 2015**

(and Report of Independent Auditor's)



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 30, 2016

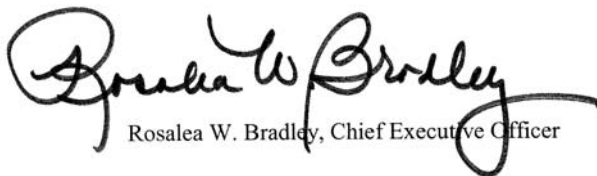
Management is responsible for the preparation, integrity and objectivity of this report, the *Financial Statements with Supplementary Information* of the Vermont Economic Development Authority ("VEDA" or the "Authority"). The report was prepared in accordance with accounting principles generally accepted 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, was 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, 2016 and 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2016 and 2015, 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.

Vt. Reg. No. 92-0000241



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management’s Discussion and Analysis on pages 4-14 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2016, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB 72 was applied retroactively by restating opening net assets for the year ending June 30, 2015. Our opinion is not modified with respect to this matter.

KPMG LLP

Burlington, Vermont
September 30, 2016

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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 financial assistance to commercial and agricultural enterprises. VEDA serves a wide spectrum of economic sectors including: manufacturing, agriculture, travel and tourism, technology and other services including not-for-profits.

The *Financial Statements with Supplementary Information* 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 *Supplementary Information* includes combining financial statements on the Authority’s Non-Major Funds and two of VEDA’s component unit corporations where certain funds are presented discretely.

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 (also 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 (debt and non-operating related activities); (3) investing activities; and (4) capital related financing activities (purchase and financing of capital assets).

Special-Purpose Entity

Governmental Accounting Standards Board (“GASB”) pronouncements define entities like 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 commercial bank. For this reason, **Table 2** presents amounts from the *Statement of Revenues, Expenses and Changes in Net Position* in a format typical for commercial banks. 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

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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 4-7**). **Table 11** in the section titled *Credit Risk Management* presents, as benchmarks, loan loss and allowance for loan loss data for commercial banks regulated by the Federal Deposit Insurance Corporation (FDIC).

Table 13 in the section titled *Asset-Liability Management* is also a presentation used in the MD&A of many financial institutions.

Statement of Net Position: Comparison 2014 to 2015 and 2015 to 2016

Table 1 compares the Statement of Net Position of VEDA for years ending 2014-2016.

Table 1: Statement of Net Position				2014 to 2015		2015 to 2016	
<i>Fiscal Years</i>	2014	2015	2016	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
Cash and investments	\$ 38,904	\$ 34,787	\$ 35,873	\$ (4,117)	-11%	\$ 1,086	3%
Loans receivable	192,538	209,606	239,437	17,068	9%	29,831	14%
Allowance for loan losses	(5,942)	(6,988)	(7,216)	(1,046)	18%	(228)	3%
Capital assets	5,894	5,622	5,470	(272)	-5%	(152)	-3%
Other assets	1,438	1,587	1,316	149	10%	(271)	-17%
Total Assets	\$ 232,832	\$ 244,614	\$ 274,880	\$ 11,782	5%	\$ 30,266	12%
Commercial paper	\$ 145,500	\$ 145,700	\$ 149,000	\$ 200	0%	\$ 3,300	2%
Notes payable	22,446	34,889	62,267	12,443	55%	27,378	78%
Other liabilities	11,877	7,579	6,874	(4,298)	-36%	(705)	-9%
Total Liabilities	\$ 179,823	\$ 188,168	\$ 218,141	\$ 8,345	5%	\$ 29,973	16%
Restricted net position	26,417	25,794	26,893	(623)	-2%	1,099	4%
Net investment in capital assets	3,154	3,047	3,129	(107)	-3%	82	3%
Unrestricted net position	23,438	27,605	26,717	4,167	18%	(888)	-3%
Total Net Position	\$ 53,009	\$ 56,446	\$ 56,739	\$ 3,437	6%	\$ 293	1%

Total assets increased \$30,266 in 2016, compared to an increase of \$11,782 in 2015. The primary reason for the increase in total assets in 2016 and 2015 was the change in loans receivable. The increase in outstanding loans receivable of \$29,831 and \$17,068 in 2016 and 2015, respectively was funded primarily by an increase in the Authority's debt. In 2016 and 2015, notes payable increased \$27,378 and \$12,443, respectively. Nearly all of the increase in notes payable in 2016 and 2015 was in the Authority's line of credit note payable (Note 6).

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

Capital assets decreased by \$152 in 2016 due to capital asset purchases of \$181, offset by depreciation of \$333. In 2015 capital assets decreased by \$272 in 2015 due to capital asset purchases

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of \$90, offset by depreciation of \$362. Capital expenditures in 2016 and 2015 were primarily for equipment, software and furniture. There were also expenses in 2016 for leasehold improvements for the Middlebury office.

Other assets decreased \$271 in 2016 due primarily to a decrease in receivable from the State for reimbursement of the loss on a mortgage insurance contract (Note 10). Other assets increased by \$149 in 2015 due primarily to an increase in prepaid expenses and amounts due from the State.

Other liabilities decreased \$705 in 2016 due to a combination of a decrease of \$393 in "Reserve for losses on insured loans," a decrease of \$295 in "Unearned revenue for federal program" and a decrease of \$215 in "Other liability – State of Vermont, offset by increases of \$127 and \$75 in "Accounts payable and accrued expenses" and "Accrued interest payable," respectively. Other liabilities decreased \$4,298 in 2015 due primarily to a decrease in "Unearned revenue for federal program" of \$4,364 related to the federal grant (Note 14).

Total Net Position increased by \$293 in 2016, the result of \$773 of non-operating income related to revenue from the federal grant of \$295 and \$616 of "Non-operating revenue – State of Vermont," offset by an operating loss of \$480. In 2015, total Net Position increased by \$3,437 the result of \$3,841 of non-operating income due primarily to revenue from the federal grant and offset by an operating loss of \$404.

Statement of Revenues, Expenses and Changes in Net Position:

Comparison of 2014 to 2015 and 2015 to 2016

In 2016, VEDA recorded a change in net position (i.e. net income) of \$293 compared to a change in net position of \$3,437 in 2015 and compared to a change in net position of \$4,439 in 2014. The significant decrease in the change in net position in 2016 was the result of receiving the final two tranches of federal grant revenue, each totaling \$4.4 million, in 2015 and 2014 (Note 14) and offset by the accounting adjustment resulting from the adoption a new governmental accounting statement (Note 2).

Net Interest Income (also referred to as Net Interest Margin) is the core of the Authority's operations. It 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. These changes are analyzed in detail under the heading *Changes in Net Interest Income*.

Table 2 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 2014 to 2015 and from 2015 to 2016.

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Table 2: Revenues, Expenses & Changes in Net Position				2014 to 2015		2015 to 2016	
<i>Fiscal Years</i>	2014	2015	2016	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
Cash and investment revenue	\$ 504	\$ 597	\$ 595	\$ 93	18%	\$ (2)	0%
Loans receivable interest	6,320	6,942	7,785	622	10%	843	12%
less interest expense	1,766	1,642	2,365	(124)	-7%	723	44%
Net Interest Income	\$ 5,058	\$ 5,897	\$ 6,015	\$ 839	17%	\$ 118	2%
Add other revenues	952	997	1,082	45	5%	85	9%
Net increase (decrease) in fair value of investments	1,325	(133)	1	(1,458)	-110%	134	-101%
Less provision for loan losses	1,747	1,727	1,319	(20)	-1%	(408)	-24%
Less losses on insured loans	393	0	129	(393)	-100%	129	100%
Less All Other Expenses:							
Staff salaries and benefits	3,152	3,484	3,972	332	11%	488	14%
Professional fees	671	529	621	(142)	-21%	92	17%
Office and administrative	1,035	1,063	1,204	28	3%	141	13%
Depreciation	332	362	333	30	9%	(29)	-8%
Total All Other Expenses	5,190	5,438	6,130	248	5%	692	13%
Operating Income (Loss)	\$ 5	\$ (404)	(\$ 480)	\$ (409)	-8180%	\$ (76)	19%
Non-operating revenues	4,434	3,841	773	(593)	-13%	(3,068)	-80%
Change in Net Position	\$ 4,439	\$ 3,437	\$ 293	\$ (1,002)	-23%	\$ (3,144)	-91%

Table 3 below details the **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, economic factors and the credit risk associated with investment issuers (Note 3).

Table 3: Change in Fair Value of Investments				2014 to 2015		2015 to 2016	
<i>Fiscal Years</i>	2014	2015	2016	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
Unrealized gains	\$ 236	\$ 94	\$ 131	\$ (142)	-60%	\$ 37	39%
Realized gains (losses)	1,089	(227)	(130)	(1,316)	-121%	97	43%
Net Change in Fair Value	\$ 1,325	\$ (133)	\$ 1	\$ (1,458)	-110%	\$ 134	101%

Provision for loan losses in 2016, were \$408 below the 2015 level. In 2015, loan loss provisions totaled \$1,727 and represented a \$20 decrease from the \$1,747 of loan loss provisions in 2014. 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 heading *Credit Risk Management* and in Note 4 to the basic financial statements.

Losses on insured loans totaling \$129 were related to a \$98 loss on a Mortgage Insurance contract that was first reserved for in 2014 (Note 10). The remaining \$31 was the result of losses in the Vermont Capital Access Program.

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All other expenses increased \$692 or 13% in 2016 compared to an increase of \$248 or 5% in 2015. The components are discussed in more detail below:

Staff salaries and benefits in 2016 increased \$488, or 14% due primarily to the addition of three new staff in 2016 combined with a full year of expenses for the four new staff hired in 2015 which also accounts for the \$332, or 11% increase in that year. In the last two years VEDA has closed 597 new loans, added a net of 130 new loans outstanding and \$46 million more in outstanding loan balances being serviced.

Professional fees in 2016 increased \$92, or 17% due primarily to an increase in collection costs of \$56 and legal fees of \$37. In 2015, Professional fees decreased \$142, or 21% due to a reduction in legal expense plus the recovery of some prior period collection costs.

Office and administrative expenses increased \$141 or 13% due primarily to increase of \$51 in information technology related expenses plus an increase of \$70 in occupancy related costs. In 2015, these expenses increased \$28 or 3% due primarily to increases in information technology and marketing offset by declines in occupancy and other expenses.

Changes in Net Interest Income: 2015 To 2016

Table 4 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.

Table 4: Average Balance and Yield/Cost Comparison, 2015 to 2016

(Table excludes Net Increase or Decrease in Fair Value)

Interest Earning Assets and Interest Bearing Liabilities	2015			2016			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	\$ 37,916	\$ 597	1.57%	\$37,468	\$ 595	1.59%	\$ (2)
Loans receivable, net of allowance	203,846	6,942	3.41%	224,816	7,785	3.46%	843
Total interest earning assets	\$ 241,762	\$ 7,539	3.12%	\$ 262,284	\$ 8,380	3.20%	\$ 841
Interest bearing liabilities and expense:							
Notes payable	\$ 30,718	\$ 461	1.50%	\$49,333	\$ 824	1.67%	\$ 363
Commercial paper	145,329	1,181	0.81%	147,029	1,541	1.05%	360
Total interest bearing liabilities	\$ 176,047	\$ 1,642	0.93%	\$ 196,362	\$ 2,365	1.20%	\$ 723
Net Interest Income (and as % of earning assets)		\$ 5,897	2.44%		\$ 6,015	2.29%	\$ 118

Information is based on average monthly balances.

Table 4 indicates the average yield on earning assets increased from 3.12% in 2015 to 3.20% in 2016. The average cost of interest bearing liabilities increased from 0.93% in 2015 to 1.20% in 2016.

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Table 5 sets forth information regarding changes in interest income and interest expense for 2015 compared to 2016. For each category of interest earning assets and interest bearing liabilities presented in **Table 4**, information is presented in **Table 5** 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 5: Change in Net Interest Income From 2015 to 2016

(Table excludes Net Increase or Decrease in Fair Value)

For Year Ended June 30, 2016 and 2015 Increases (Decreases) Due To Changes In:	Rate	Average Balance	Rate/ Balance	Total
Income on interest earning assets:				
Cash and investments	\$ 5	\$ (7)	\$ 0	\$ (2)
Loans receivable, net of allowance	117	714	12	843
Total income on interest earning assets	122	707	12	841
Expense on interest bearing liabilities:				
Notes payable	52	279	32	363
Commercial paper	342	14	4	360
Total expense on interest bearing liabilities	394	293	36	723
Changes in net interest income	\$ (272)	\$ 414	\$ (24)	\$ 118

The increase in *Total Income on Interest Earning Assets* of \$841 in 2016 is due primarily to the increase in average earning assets of \$20,522. **Table 5** shows that \$707 of the \$841 is related to the change in average balances. The increase in *Total Expense on Interest Bearing Liabilities* in 2016 of \$723 was due to a combination \$293 resulting from an increase in average balances of \$20,315 and \$394 and \$36 resulting from a higher cost of funds of 0.27%.

Table 6 below sets forth the same information as **Table 4**, but for the fiscal years 2014 and 2015.

Table 6: Average Balance and Yield/Cost Comparison, 2014 to 2015

(Table excludes Net Increase or Decrease in Fair Value)

Interest Earning Assets and Interest Bearing Liabilities	2014			2015			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	\$ 37,042	\$ 504	1.36%	\$ 37,916	\$ 597	1.57%	\$ 93
Loans receivable, net of allowance	180,982	6,320	3.49%	203,846	6,942	3.41%	622
Total interest earning assets	\$ 218,024	\$ 6,824	3.13%	\$ 241,762	\$ 7,539	3.12%	\$ 715
Interest bearing liabilities and expense:							
Notes payable	\$ 28,206	\$ 343	1.22%	\$ 30,718	\$ 461	1.50%	\$ 118
Commercial paper	136,980	1,423	1.04%	145,329	1,181	0.81%	(242)
Total interest bearing liabilities	\$ 165,186	\$ 1,766	1.07%	\$ 176,047	\$ 1,642	0.93%	\$ (124)
Net Interest Income (and as % of earning assets)		\$ 5,058	2.32%		\$ 5,897	2.44%	\$ 839

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Table 7 below presents the same information regarding **Table 6** for 2014 with 2015 as **Table 5** presented relative to **Table 4** for fiscal years 2015 with 2016.

Table 7: Change in Net Interest Income From 2014 to 2015

(Table excludes Net Increase or Decrease in Fair Value)

For Year Ended June 30, 2015 and 2014 Increases (Decreases) Due To Changes In:	Rate	Average Balance	Rate/ Balance	Total
Income on interest earning assets:				
Cash and investments	\$ 79	\$ 12	\$ 2	\$ 93
Loans receivable, net of allowance	(156)	798	(20)	622
Total income on interest earning assets	(77)	810	(18)	715
Expense on interest bearing liabilities:				
Notes payable	80	31	7	118
Commercial paper	(310)	87	(19)	(242)
Total expense on interest bearing liabilities	(230)	118	(12)	(124)
Changes in net interest income	\$ 153	\$ 692	\$ (6)	\$ 839

Statement of Cash Flows

Table 8 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 8: Statement of Cash Flows				2014 to 2015		2015 to 2016	
<i>Fiscal Years</i>	2014	2015	2016	<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	\$ 34,231	\$ 30,842	\$ 36,210	\$ (3,389)	-10%	\$ 5,368	17%
Principal disbursed on loans	(51,288)	(48,592)	(67,816)	2,696	-5%	(19,224)	40%
All other operating activities	2,281	2,889	3,742	608	27%	853	30%
Operating Activities	\$ (14,776)	\$ (14,861)	\$ (27,864)	\$ (85)	1%	\$ (13,003)	87%
Non-capital financing activities	23,619	11,394	29,013	(12,225)	-52%	17,619	155%
Investing activities	(2,695)	793	316	3,488	-129%	(477)	-60%
Capital investment activities	(969)	(339)	(487)	630	-65%	(148)	44%
Net increase (decrease) in cash and cash equivalents	\$ 5,179	\$ (3,013)	\$ 978	\$ (8,192)	-158%	\$ 3,991	-132%

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Table 8 shows that \$19,224 more principal was disbursed on loans receivable in 2016 than in 2015 and that 2015's disbursement total was \$2,696 lower than the disbursement total in 2014. Principal received on loans receivable in 2016 was \$5,368 greater than in 2015 and the 2015 total was \$3,389 less than in 2014. This combined with the net cash received from all other operating activities in 2016 (primarily interest and fees collected less operating expenses paid) created the need for \$27,864 of cash that was provided by the \$29,013 of net borrowings (*Non-Capital Financing Activities*).

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. VEDA also maintains general reserves for future losses not yet identified that are estimated based on historical loss experience, economic conditions, industry concentration and expectation of future events that would adversely affect VEDA borrowers. **Table 9** details the specific and general reserves and the total reserves as a percentage of outstanding loans receivable balances at June 30, 2014, 2015 and 2016.

Table 9: Change in Allowance for Loan Losses From 2014 to 2016

Dollar Amounts in Thousands

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
2016	\$ 239,437	\$ 2,977	\$ 4,239	\$ 7,216	1.24%	1.77%	3.01%
2015	\$ 209,606	\$ 3,267	\$ 3,721	\$ 6,988	1.56%	1.78%	3.33%
2014	\$ 192,538	\$ 2,757	\$ 3,185	\$ 5,942	1.43%	1.65%	3.09%

The Authority's allowance for loan losses at June 30, 2016 totaled \$7,216 or 3.01% of outstanding loans receivable. This compares to an allowance of \$6,988 or 3.33% of outstanding loans receivable at the end of 2015 and to an allowance of \$5,942 or 3.09% of the outstanding loans receivable at the end of 2014. Changes in the allowance are due to provisions for losses combined with loans that have been charged-off against the reserves (net of any recoveries). More detail on the changes in the reserves can be found in Note 4 of the financial statements.

Integral to VEDA's mission is the challenge of meeting its economic development objectives while maintaining a prudent level of credit risk. Provisions for loan losses as a percentage of average outstanding loans is one measure of credit risk.

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Table 10 below shows this ratio for the past three fiscal years plus the rolling three and ten year averages:

Table 10: Loan Loss Provisions as a Percent of Average Outstanding Loans

For Fiscal Year(s) Ending	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	3 Year Average	10 Year Average
Loan Loss Provisions as a % of Avg. Outstanding Loans	0.59%	0.86%	0.95%	0.78%	0.83%

As a benchmark for how VEDA's loan losses and reserves compare to commercial banks, **Table 11** presents the same allowance for loan loss and loan loss provision ratios presented in **Table 9** and **Table 10** for commercial banks with total assets up to \$500,000 that are regulated by the Federal Deposit Insurance Corporation (FDIC). The FDIC data is for the year ending December 31, 2015.

Table 11: FDIC Commercial Bank Statistics

<i>Data is from www.fdic.gov</i>			
<i>FDIC INSURED COMMERCIAL BANKS</i>			
For the year ended December 31, 2015	Assets less than \$100M	Assets \$100-\$300M	Assets \$300-\$500M
Loan Loss Provisions as a % of Avg. Outstanding Loans	0.21%	0.16%	0.16%
Allowances (Reserves) as a % of Outstanding Loans	1.53%	1.46%	1.43%

The Authority assumes more risk than commercial banks by accepting many subordinate collateral positions and in some cases lending to borrowers unable to get conventional bank financing.

Capital Adequacy

Table 12 details the Authority's net position as a percentage of total assets at June 30, 2016, 2015 and 2014. 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 12: Net Position as a % of Total Assets

<i>As of June 30:</i>	VJF	VACC	VSBDC	VEDA
2016	23%	17%	17%	21%
2015	29%	16%	17%	24%
2014	27%	17%	19%	23%

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 interest rate 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.

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Table 13 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 13: Gap Repricing/Maturity Analysis

Repricing Horizon at June 30, 2016	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	\$ 7,307	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,307
Investments	42	127	5,876	8,642	13,879	28,566
Loans receivable	179,788	4,330	20,299	27,804	0	232,221
Other	0	0	0	0	6,786	6,786
Total assets	\$ 187,137	\$ 4,457	\$ 26,175	\$ 36,446	\$ 20,665	\$ 274,880
Debt	\$ 179,630	\$ 390	\$ 14,848	\$ 16,399	\$ 0	\$ 211,267
Other liabilities & net position	0	0	0	0	63,613	63,613
Total liabilities & net position	\$ 179,630	\$ 390	\$ 14,848	\$ 16,399	\$ 63,613	\$ 274,880
Repricing "Gap"	\$ 7,507	\$ 4,067	\$ 11,327	\$ 20,047	\$ (42,948)	\$ 0

At June 30, 2016, the Authority's "Within 3-Months" repricing gap was a positive \$7,507. This means more assets either mature or have interest rates that reset within this period than do 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.

The combined "Within 3-Months" and "3-Months to 1-Year" repricing gap is \$11,574 at June 30, 2016 and was \$9,715 at the end of 2015 indicating that the Authority's balance sheet became more "asset-sensitive" in 2016.

Table 13 also illustrates the degree to which Management has been successful in matching the amount of debt repricing in any period with the amount of loans receivable repricing in the same period. **Table 13** shows that the \$179,630 of debt repricing "Within 3 months" (commercial paper and the line of credit notes payable) matches very closely to the \$179,788 of loans that mature or reprice in same period.

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").

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Table 14 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 14: Subsidy Funds Provided, Used & Available

Fiscal Years:	2000 - 2002	2003 - 2007	2008 - 2012	2013 - 2016
Provided	\$ 3,352	\$ 4,802	\$ 11,286	\$ 8,833
Used	483	5,029	5,156	8,002
Available (Cumulative)	\$ 2,869	\$ 2,642	\$ 8,772	\$ 9,603

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

The Authority had \$9,603 and \$11,887 of resources either restricted or internally allocated for interest rate subsidies at the end of June 30, 2016 and 2015, respectively. These 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. Of the \$9,603 of resources available for subsidies at June 30, 2016, \$9,548 is recorded under the caption *Unrestricted Net position* on the Statement of Net Position and represents the portion of unrestricted net position that has been internally allocated for future subsidies by the Board of the Authority. At June 30, 2015, \$11,211 of the \$11,887 of resources available for subsidies is recorded under the caption *Unrestricted Net position*.

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, 2016

<i>Dollar Amounts in Thousands</i>	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	\$ 1,774	\$ 413	\$ 1,150	\$ 553	\$ 3,890
Restricted	<u>3,398</u>	<u>0</u>	<u>0</u>	<u>19</u>	<u>3,417</u>
Total cash and cash equivalents	5,172	413	1,150	572	7,307
Loans receivable	25,357	3,169	2,987	483	31,996
Accrued interest receivable	195	173	41	7	416
Other assets	<u>604</u>	<u>295</u>	<u>1</u>	<u>0</u>	<u>900</u>
Total current assets	31,328	4,050	4,179	1,062	40,619
Investments					
Unrestricted	4,500	0	0	0	4,500
Restricted	<u>23,398</u>	<u>668</u>	<u>0</u>	<u>0</u>	<u>24,066</u>
Total investments	27,898	668	0	0	28,566
Loans receivable, less current portion	107,819	78,365	18,371	2,886	207,441
Less allowance for loan losses	<u>(5,239)</u>	<u>(242)</u>	<u>(1,485)</u>	<u>(250)</u>	<u>(7,216)</u>
Loans receivable, less current portion, net of allowance	102,580	78,123	16,886	2,636	200,225
Capital assets, net of accumulated depreciation	<u>5,470</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,470</u>
Total assets	\$ 167,276	\$ 82,841	\$ 21,065	\$ 3,698	\$ 274,880
Current Liabilities:					
Commercial paper	\$ 149,000	\$ 0	\$ 0	\$ 0	\$ 149,000
Interfund notes (receivable) payable	(50,365)	37,550	12,815	0	0
Notes payable	241	30,500	229	50	31,020
Escrow and reserve accounts	162	0	0	0	162
Accounts payable and accrued expenses	850	77	1	1	929
Interfund accounts (receivable) payable	(947)	698	(10)	259	0
Other liability - State of Vermont	5,500	0	18	0	5,518
Accrued interest payable	<u>170</u>	<u>58</u>	<u>24</u>	<u>13</u>	<u>265</u>
Total current liabilities	104,611	68,883	13,077	323	186,894
Notes payable, less current portion	24,600	0	4,320	2,327	31,247
Total liabilities	\$ 129,211	\$ 68,883	\$ 17,397	\$ 2,650	\$ 218,141
Restricted net position	26,182	706	0	5	26,893
Net investment in capital assets	3,129	0	0	0	3,129
Unrestricted net position	<u>8,754</u>	<u>13,252</u>	<u>3,668</u>	<u>1,043</u>	<u>26,717</u>
Total net position	\$ 38,065	\$ 13,958	\$ 3,668	\$ 1,048	\$ 56,739

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Net Position as of June 30, 2015

<i>Dollar Amounts in Thousands</i>	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	\$ 1,532	\$ 583	\$ 1,235	\$ 1,036	\$ 4,386
Restricted	<u>1,894</u>	<u>0</u>	<u>0</u>	<u>49</u>	<u>1,943</u>
Total cash and cash equivalents	3,426	583	1,235	1,085	6,329
Loans receivable	20,029	9,928	2,641	302	32,900
Accrued interest receivable	168	121	41	5	335
Receivable from State of Vermont	0	0	0	395	395
Other assets	<u>675</u>	<u>179</u>	<u>3</u>	<u>0</u>	<u>857</u>
Total current assets	24,298	10,811	3,920	1,787	40,816
Investments					
Unrestricted	4,293	0	0	0	4,293
Restricted	<u>23,545</u>	<u>620</u>	<u>0</u>	<u>0</u>	<u>24,165</u>
Total investments	27,838	620	0	0	28,458
Loans receivable, less current portion	90,330	66,614	17,857	1,905	176,706
Less allowance for loan losses	<u>(4,660)</u>	<u>(599)</u>	<u>(1,530)</u>	<u>(199)</u>	<u>(6,988)</u>
Loans receivable, less current portion, net of allowance	85,670	66,015	16,327	1,706	169,718
Capital assets, net of accumulated depreciation	<u>5,622</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,622</u>
Total assets	\$ 143,428	\$ 77,446	\$ 20,247	\$ 3,493	\$ 244,614
Current Liabilities:					
Commercial paper	\$ 145,700	\$ 0	\$ 0	\$ 0	\$ 145,700
Interfund notes (receivable) payable	(60,365)	48,900	11,465	0	0
Notes payable	234	15,500	230	49	16,013
Escrow and reserve accounts	122	0	0	47	169
Accounts payable and accrued expenses	711	87	3	0	801
Interfund accounts (receivable) payable	(792)	241	521	30	0
Other liability - State of Vermont	5,701	0	31	0	5,732
Reserve for losses on insured loans	0	0	0	393	393
Unearned revenue for federal program	295	0	0	0	295
Accrued interest payable	<u>130</u>	<u>25</u>	<u>22</u>	<u>12</u>	<u>189</u>
Total current liabilities	91,736	64,753	12,272	531	169,292
Notes payable, less current portion	12,341	0	4,548	1,987	18,876
Total liabilities	\$ 104,077	\$ 64,753	\$ 16,820	\$ 2,518	\$ 188,168
Restricted net position (restated)	24,824	969	0	0	25,793
Net investment in capital assets	3,047	0	0	0	3,047
Unrestricted net position (restated)	<u>11,480</u>	<u>11,724</u>	<u>3,427</u>	<u>975</u>	<u>27,606</u>
Total net position (restated)	\$ 39,351	\$ 12,693	\$ 3,427	\$ 975	\$ 56,446

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, 2016

<i>Dollar Amounts in Thousands</i>	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	\$ 577	\$ 3	\$ 6	\$ 9	\$ 595
Net increase in fair value of investments	1	0	0	0	1
Loans receivable interest	3,402	3,290	975	118	7,785
Other revenues	<u>622</u>	<u>198</u>	<u>71</u>	<u>191</u>	<u>1,082</u>
Total operating revenues	<u>4,602</u>	<u>3,491</u>	<u>1,052</u>	<u>318</u>	<u>9,463</u>
Operating Expenses:					
Commercial paper and notes payable interest	1,927	370	46	22	2,365
Interfund interest (revenue) expense	(623)	477	146	0	0
Provision for loan losses	1,082	(8)	194	51	1,319
Provision for losses on insured loans	31	0	0	98	129
Staff salaries, expenses, and benefits	3,093	879	0	0	3,972
Professional fees	458	132	9	22	621
Office and administrative expenses	1,204	0	0	0	1,204
Interfund (revenue) expense allocation	(1,941)	1,376	413	152	0
Depreciation of capital assets	<u>333</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>333</u>
Total operating expenses	<u>5,564</u>	<u>3,226</u>	<u>808</u>	<u>345</u>	<u>9,943</u>
Operating (loss) income	(962)	265	244	(27)	(480)
Non-operating (expense) revenue:					
Federal grant revenue earned	295	0	0	0	295
Non-operating revenue - State of Vermont	518	0	0	98	616
Non-operating revenue - seed capital fund	11	0	0	0	11
Advance appropriation earned	0	0	13	0	13
Capital access program rebate expense	(13)	0	0	0	(13)
Net decrease in fair value of venture fund investments	(149)	0	0	0	(149)
Interfund non-operating (expense) revenue	<u>(986)</u>	<u>1,000</u>	<u>(16)</u>	<u>2</u>	<u>0</u>
Total non-operating (expense) revenue	<u>(324)</u>	<u>1,000</u>	<u>(3)</u>	<u>100</u>	<u>773</u>
Net (decrease) increase in net position	(1,286)	1,265	241	73	293
Net position at beginning of year	<u>39,351</u>	<u>12,693</u>	<u>3,427</u>	<u>975</u>	<u>56,446</u>
Net position at end of year	\$ <u>38,065</u>	\$ <u>13,958</u>	\$ <u>3,668</u>	\$ <u>1,048</u>	\$ <u>56,739</u>

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, 2015

<i>Dollar Amounts in Thousands</i>	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	\$ 590	\$ 2	\$ 3	\$ 2	\$ 597
Net increase in fair value of investments	(133)	0	0	0	(133)
Loans receivable interest	2,861	3,040	937	104	6,942
Other revenues	<u>636</u>	<u>140</u>	<u>47</u>	<u>174</u>	<u>997</u>
Total operating revenues	<u>3,954</u>	<u>3,182</u>	<u>987</u>	<u>280</u>	<u>8,403</u>
Operating Expenses:					
Commercial paper and notes payable interest	1,398	180	46	18	1,642
Interfund interest (revenue) expense	(655)	544	111	0	0
Provision for loan losses	1,083	44	577	23	1,727
Provision for losses on insured loans	0	0	0	0	0
Staff salaries, expenses, and benefits	2,765	719	0	0	3,484
Professional fees	329	171	13	16	529
Office and administrative expenses	1,063	0	0	0	1,063
Interfund (revenue) expense allocation	(1,736)	1,210	382	144	0
Depreciation on capital assets	<u>362</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>362</u>
Total operating expenses	<u>4,609</u>	<u>2,868</u>	<u>1,129</u>	<u>201</u>	<u>8,807</u>
Operating (loss) income	(655)	314	(142)	79	(404)
Non-operating revenue:					
Federal grant revenue earned	4,364	0	0	0	4,364
Non-operating revenue - State of Vermont	0	100	0	0	100
Non-operating expense - State of Vermont	0	0	0	(12)	(12)
Non-operating revenue - seed capital fund	15	0	0	0	15
Advance appropriation earned	145	0	0	0	145
Capital access program rebate expense	(18)	0	0	0	(18)
Net decrease in fair value of non-operating investments	(753)	0	0	0	(753)
Interfund non-operating (expense) revenue	<u>(25)</u>	<u>(21)</u>	<u>23</u>	<u>23</u>	<u>0</u>
Total non-operating revenue (restated)	<u>3,728</u>	<u>79</u>	<u>23</u>	<u>11</u>	<u>3,841</u>
Net increase (decrease) in net position	3,073	393	(119)	90	3,437
Net position at beginning of year (restated)	<u>36,278</u>	<u>12,300</u>	<u>3,546</u>	<u>885</u>	<u>53,009</u>
Net position at end of year (restated)	<u>\$ 39,351</u>	<u>\$ 12,693</u>	<u>\$ 3,427</u>	<u>\$ 975</u>	<u>\$ 56,446</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, 2016

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	\$ 3,473	\$ 3,825	\$ 975	\$ 116	\$ 8,389
Other revenues received	622	198	71	191	1,082
Operating expenses paid other than interest	(2,768)	(2,056)	(953)	56	(5,721)
Receipts from (disbursements to) VCAP and FAP participating banks, net	40	0	0	(47)	(7)
Principal received on loans receivable	7,211	24,664	4,030	305	36,210
Principal disbursed on loans receivable	<u>(30,628)</u>	<u>(30,592)</u>	<u>(5,389)</u>	<u>(1,207)</u>	<u>(67,816)</u>
Net cash used for operating activities	<u>(22,050)</u>	<u>(3,961)</u>	<u>(1,266)</u>	<u>(586)</u>	<u>(27,863)</u>
Cash flows from non-capital financing activities:					
Commercial paper and notes payable interest paid	(1,814)	(337)	(44)	(21)	(2,216)
Interfund notes payable interest received (paid)	623	(477)	(146)	0	0
Advanced funds returned to State of Vermont	(201)	0	0	0	(201)
Interfund non-operating (expense) revenue	(986)	1,000	(16)	2	0
Interfund transfer of loans receivable	0	0	260	(260)	0
Non-operating revenue received - State of Vermont	518	0	0	507	1,025
Non-operating expense - State of Vermont	0	0	0	(14)	(14)
Non-operating revenue - seed capital fund	11	0	0	0	11
Proceeds from issuance of commercial paper	1,181,100	0	0	0	1,181,100
Payments on maturing commercial paper	(1,177,800)	0	0	0	(1,177,800)
Payments received (paid) on interfund notes payable	10,000	(11,350)	1,350	0	0
Proceeds from notes payable	12,500	35,500	0	390	48,390
Payments on notes payable	0	(20,500)	(229)	(49)	(20,778)
Capital access program rebates paid	(13)	0	0	0	(13)
Payments to banks for losses on insured loans, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>(491)</u>	<u>(491)</u>
Net cash provided by non-capital financing activities	<u>23,938</u>	<u>3,836</u>	<u>1,175</u>	<u>64</u>	<u>29,013</u>
Cash flows from investing activities:					
Redemption or sale of investments	1,283	0	0	0	1,283
Purchase of investments	(1,514)	(48)	0	0	(1,562)
Revenue received on cash and investments	<u>576</u>	<u>3</u>	<u>6</u>	<u>9</u>	<u>594</u>
Net cash provided by (used for) investing activities	<u>345</u>	<u>(45)</u>	<u>6</u>	<u>9</u>	<u>315</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(181)	0	0	0	(181)
Payments on mortgage note payable	(234)	0	0	0	(234)
Interest paid on mortgage note payable	<u>(72)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(72)</u>
Net cash used for capital and related financing activities	<u>(487)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(487)</u>
Net increase (decrease) in cash and cash equivalents	1,746	(170)	(85)	(513)	978
Cash and cash equivalents at beginning of year	<u>3,426</u>	<u>583</u>	<u>1,235</u>	<u>1,085</u>	<u>6,329</u>
Cash and cash equivalents at end of year	\$ <u>5,172</u>	\$ <u>413</u>	\$ <u>1,150</u>	\$ <u>572</u>	\$ <u>7,307</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, 2016

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 operating activities:					
Operating (loss) income	\$ (962)	\$ 265	\$ 244	\$ (27)	\$ (480)
Adjustments to reconcile operating (loss) income to net cash used for operating activities:					
Interest revenue on investment activities	(576)	(3)	(6)	(9)	(594)
Net decrease in fair value of investments	(1)	0	0	0	(1)
Interest expense	1,927	370	46	22	2,365
Interest (revenue) expense for interfund activities	(623)	477	146	0	0
Provision for loan losses	1,082	(8)	194	51	1,319
Provision for losses on insured loans	31	0	0	98	129
Interfund transfer of loans receivable	0	0	(260)	260	0
Change in receivable from VCP	22	0	0	0	22
Depreciation expense	333	0	0	0	333
Changes in assets and liabilities:					
Loans receivable	(22,817)	(4,992)	(860)	(1,162)	(29,831)
Allowance for loan losses	(534)	(349)	(239)	0	(1,122)
Accrued interest receivable	(27)	(52)	0	(2)	(81)
Other assets	71	(116)	2	0	(43)
Escrow and reserve accounts	40	0	0	(47)	(7)
Accounts payable and accrued expenses	139	(10)	(2)	1	128
Interfund accounts payable (receivable)	<u>(155)</u>	<u>457</u>	<u>(531)</u>	<u>229</u>	<u>0</u>
Net cash used for operating activities	<u>\$ (22,050)</u>	<u>\$ (3,961)</u>	<u>\$ (1,266)</u>	<u>\$ (586)</u>	<u>\$ (27,863)</u>

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2015

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	\$ 2,838	\$ 3,032	\$ 940	\$ 102	\$ 6,912
Other revenues received	636	140	47	174	997
Operating expenses paid other than interest	(3,910)	(1,059)	66	(152)	(5,055)
Receipts from (disbursements to) VCAP and FAP participating banks, net	46	0	0	(11)	35
Principal received on loans receivable	13,646	13,421	3,667	108	30,842
Principal disbursed on loans receivable	<u>(26,257)</u>	<u>(17,230)</u>	<u>(4,836)</u>	<u>(269)</u>	<u>(48,592)</u>
Net cash used for operating activities	<u>(13,001)</u>	<u>(1,696)</u>	<u>(116)</u>	<u>(48)</u>	<u>(14,861)</u>
Cash flows from non-capital financing activities:					
Commercial paper and notes payable interest paid	(1,276)	(159)	(43)	(16)	(1,494)
Interfund notes payable Interest received (paid)	655	(544)	(111)	0	0
Interfund non-operating funds (paid) received	(25)	(21)	23	23	0
Interfund transfer of loans receivable in (out)	1,440	(743)	(587)	(110)	0
Non-operating revenue received - State of Vermont	0	100	0	12	112
Non-operating expense paid - State of Vermont	0	0	0	(29)	(29)
Non-operating revenue received - seed capital fund	15	0	0	0	15
Proceeds from issuance of commercial paper	581,350	0	0	0	581,350
Payments on maturing commercial paper	(581,150)	0	0	0	(581,150)
Payments received (paid) on interfund notes payable	7,310	(8,475)	1,165	0	0
Proceeds from notes payable	0	14,500	475	360	15,335
Payments on notes payable	0	(2,500)	(177)	(50)	(2,727)
Capital access program rebates paid	<u>(18)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(18)</u>
Net cash provided by non-capital financing activities	<u>8,301</u>	<u>2,158</u>	<u>745</u>	<u>190</u>	<u>11,394</u>
Cash flows from investing activities:					
Redemption or sale of investments	976	0	0	0	976
Purchase of investments	(761)	(19)	0	0	(780)
Revenue received on cash and investments	<u>590</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>597</u>
Net cash provided by (used for) investing activities	<u>805</u>	<u>(17)</u>	<u>3</u>	<u>2</u>	<u>793</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(90)	0	0	0	(90)
Payments on mortgage note payable	(165)	0	0	0	(165)
Interest paid on mortgage note payable	<u>(84)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(84)</u>
Net cash used for capital and related financing activities	<u>(339)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(339)</u>
Net (decrease) increase in cash and cash equivalents	(4,234)	445	632	144	(3,013)
Cash and cash equivalents at beginning of year	<u>7,660</u>	<u>138</u>	<u>603</u>	<u>941</u>	<u>9,342</u>
Cash and cash equivalents at end of year	\$ <u>3,426</u>	\$ <u>583</u>	\$ <u>1,235</u>	\$ <u>1,085</u>	\$ <u>6,329</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, 2015

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	\$ (655)	\$ 314	\$ (142)	\$ 79	\$ (404)
Adjustments to reconcile operating (loss) income to net cash used for operating activities:					
Interest revenue on investment activities	(590)	(2)	(3)	(2)	(597)
Net increase in fair value of investments	133	0	0	0	133
Interest expense	1,398	180	46	18	1,642
Interest (income) expense for interfund financing	(655)	544	111	0	0
Provision for loan losses	1,083	44	577	23	1,727
Interfund transfer of loans receivable	(1,440)	743	587	110	0
Change in receivable from VCP	22	0	0	0	22
Depreciation expense	362	0	0	0	362
Changes in assets and liabilities:					
Loans receivable	(11,171)	(4,500)	(1,126)	(271)	(17,068)
Allowance for loan losses	0	(52)	(629)	0	(681)
Accrued interest receivable	(23)	(8)	3	(2)	(30)
Other assets	(136)	9	10	0	(117)
Escrow and reserve accounts	46	0	0	(11)	35
Accounts payable and accrued expenses	133	(21)	3	0	115
Interfund accounts payable (receivable)	(1,508)	1,053	447	8	0
Net cash (used for) provided by operating activities	<u>\$ (13,001)</u>	<u>\$ (1,696)</u>	<u>\$ (116)</u>	<u>\$ (48)</u>	<u>\$ (14,861)</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, 2016 and 2015

Dollar Amounts in Thousands

	2016 Agency Funds	2015 Agency Funds
<u>Assets</u>		
Current Assets:		
Restricted cash and cash equivalents	\$ 6,337	\$ 6,561
Loans receivable	<u>1,217</u>	<u>1,392</u>
Total current assets	7,554	7,953
Loans receivable, less current portion	18,206	17,696
Total assets	<u>\$ 25,760</u>	<u>\$ 25,649</u>
<u>Liabilities</u>		
Current Liabilities:		
Due to Drinking Water State Revolving Fund	16,914	16,802
Due to Clean Energy Development Fund	3,935	4,327
Due to State Infrastructure Bank	3,354	3,300
Due to Brownfields Revolving Loan Fund	1,354	1,220
Due to Windham County Economic Development Fund	<u>203</u>	<u>0</u>
Total liabilities	<u>\$ 25,760</u>	<u>\$ 25,649</u>

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Notes to Financial Statements

June 30, 2016 and 2015

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. VEDA’s mission 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, energy generation, efficiency and distribution, 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.

The Authority is governed by 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:

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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 or for a not-for-profit enterprise. Since 1988, the Authority has issued \$645,793 of these bonds and \$286,813 and \$285,841 remain outstanding at June 30, 2016 and 2015, 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 2016 and 2015 the Authority received \$53 and \$92, respectively, in fees for issuing industrial development bonds.

Direct Loans to Businesses

Loans in this group are established primarily under Subchapter 5 of the VEDA statute as well as Subchapter 12. 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 this group are loans made under the “Vermont Entrepreneurial Loan Program (“ELP”), loans for technology infrastructure and for incubator facilities.

Vermont Sustainable Energy Loan Fund (“VSELF”)

This program is established 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.

VEDA Capital Access Program (“VCAP”)

The VCAP establishes cash reserves at participating financial institutions (“banks”) throughout the State. Banks enroll eligible loans and make a contribution equal to 6% of the enrolled loan amount to a reserve account held at the bank; enrolled loans cannot exceed \$250. VEDA matches the banks’ contribution with an equal contribution to create a pooled cash reserve for loan losses. Banks can claim losses they incur on any enrolled loans in amounts not to exceed the outstanding cash reserve balance. The cash reserve amounts are included under the captions “Restricted cash and cash

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equivalents,” and the banks portion of the reserve is recorded under the caption “Escrow and reserve accounts” and VEDA’s portion is recorded as part of “Restricted net position” on the *Statement of Net Position*. VEDA also provides a rebate equal to 3% of the enrolled loan amount to participating banks and this expense is recorded under the caption “Capital Access Program Rebate Expense” on the *Statement of Revenues, Expenses and Changes in Net Position*.

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, 2016 and 2015, \$48,536 and \$40,906, 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 both June 30, 2016 and 2015. The remaining loans receivable carry no federal guarantees. These loans totaled \$32,998 and \$35,636 at June 30, 2016 and 2015, respectively.

Vermont Small Business Development Corporation (“VSBDC”)

Within the VSBDC there are two funds:

VSBDC IRP Fund

The IRP Fund participates in the United States Department of Agriculture (“USDA”) Intermediary Relending Program (“IRP Fund”). The IRP Fund makes small business loans in designated rural areas of the State.

VSBDC Loan Fund

The Loan Fund was established to make small business loans using non-IRP funds. The Loan Fund was initially capitalized with \$1,000 from the VJF. Both the VSBDC IRP Fund and the Loan Fund derive their revenues principally from interest and fees earned on loans.

Non-Major Funds

Vermont 504 Corporation (“VT504”)

Within the VT504 there are two funds:

VT504 CDC Fund

The Authority originally incorporated the VT504 as a non-profit corporation to operate as a Small Business Administration (“SBA”) Section 504 Certified Development Corporation (“CDC”). Loans under the SBA 504 loan program are made for the acquisition of land, buildings, machinery or equipment and are collateralized by property, plant and equipment or other assets (Note 7). The VT504 SBA CDC Fund derives its revenues principally from fees for originating and servicing SBA 504 loans.

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Dollar Amounts are in Thousands

In 2016, the VT504 CDC Fund began participating in an SBA loan guarantee program called “Community Advantage” (“CA”). Loans made under the CA program are guaranteed by the full faith and credit of the federal government at either 75% or 80%. At June 30, 2016, there was \$387 of CA loans outstanding and the average guarantee was 79%.

VT504 IRP Fund

A second fund was later established to make small business loans using monies borrowed from the United States Department of Agriculture (“USDA”) Intermediary Relending Program (“IRP Fund”). The VT504 IRP Fund derives its revenues principally from interest and fees earned on loans.

Mortgage Insurance Program (“MIP”)

The MIP was a program that insured a portion of loans made by lending institutions. In 2016, the statute authorizing the MIP was repealed. Under the repeal legislation the single outstanding contract and all assets of the MIP were transferred to the VJF.

Financial Access Program (“FAP”)

The FAP was similar to the Vermont Capital Asset Program described on the previous page. In 2016, the statute authorizing the FAP was repealed. Under the repeal legislation the obligation for the outstanding enrolled loans and any assets of the FAP were transferred to the VJF. Like the VCAP, the reserve account deposit balances are included under the caption “Restricted cash and cash equivalents” and as “Escrow and reserve accounts” on the *Statement of Net Position*.

For more information on the MIP and FAP, see Note 10.

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”), the Clean Energy Development Fund (“CEDF”) and the Windham County Economic Development Program (“WCEDP”). While not considered a direct recipient of federal funds under some these programs, VEDA manages and holds federal funds for the benefit of the AGN programs.

(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

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exclusion would cause the Authority’s financial statements to be misleading or incomplete. The management and the boards of directors of the Authority's three corporations (VACC, VSBDC and VT504) also serve as the management and Board 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.

(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

The Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application* (“GASB-72”). GASB-72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Implementation of GASB-72 required that the Authority restate its beginning net position as of July 1, 2014, for the cumulative effects of applying this statement. In addition, in accordance with the provisions of GASB-72, the *Statement of Revenues, Expenses and Changes in Net Position* for the year ended June 30, 2015 and the *Statement of Net Position* as of June 30, 2015 had line items restated in the 2016 presentation and are summarized in the charts below:

Restated Items on Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015	VJF	VEDA
Net position at beginning of year (as originally stated)	\$ 37,908	\$ 54,639
Fair value adjustment for non-operating investments	<u>(1,630)</u>	<u>(1,630)</u>
Net position at beginning of year (restated)	36,278	53,009
Non-operating revenues (as originally stated)	\$ 4,481	\$ 4,594
Fair value adjustment for non-operating investments	<u>(753)</u>	<u>(753)</u>
Non-operating revenues (restated)	\$ 3,728	\$ 3,841
Net position at end of year (as originally stated)	\$ 41,734	\$ 58,829
Fair value adjustment for non-operating investments	<u>(2,383)</u>	<u>(2,383)</u>
Net position at end of year (restated)	\$ 39,351	\$ 56,446

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Restated Items on Statement of Net Position as of June 30, 2015	VJF	VEDA
Unrestricted Investments (as originally stated)	\$ 6,095	\$ 6,095
Fair value adjustment for Vermont Capital Partners, LP	<u>(1,802)</u>	<u>(1,802)</u>
Unrestricted Investments (restated)	\$ 4,293	\$ 4,293
Restricted Investments (as originally stated)	\$ 24,126	\$ 24,746
Fair value adjustment for Vermont Seed Capital Fund, LP	<u>(581)</u>	<u>(581)</u>
Restricted Investments (restated)	\$ 23,545	\$ 24,165

(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). Cash in reserve accounts for the VCAP and FAP are restricted (in the VJF).

(d) Unrestricted and Restricted Investments

The VJF holds investments that are restricted under a trust indenture and held by a trustee in the Authority's name. These funds are invested at the direction of the Authority and a portion is restricted collateral for the credit facility related to VEDA's commercial paper (Note 5).

The VACC has a restricted 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 recorded at cost.

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 42% of the total VCP capital. Prior to the adoption of GASB-72, the investment in VCP was recorded at cost of \$2,000 at June 30, 2016 and 2015, respectively. Under GASB-72 the investments in limited partnerships are recorded at net asset value. The net asset value at June 30, 2016 and 2015 was \$208 and \$198, respectively.

The VJF has a restricted investment in the Vermont Seed Capital Fund, LP ("VSCF," Note 3). The authorizing legislation provided for 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). Prior to the adoption of GASB-72, the investment in VSCF was recorded at cost of \$4,137 and \$4,126 at June 30, 2016 and 2015,

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respectively. Under GASB-72 the investments in limited partnerships are recorded at net asset value. The net asset value at June 30, 2016 and 2015 was \$3,397 and \$3,546, respectively.

(e) Loans Receivable

Loans receivable are recorded at the uncollected principal balance, net of any loans sold without recourse. In 2016, the Authority sold \$797 in guaranteed loan receivable balances in the VACC. As of June 30, 2016 and 2015, the VACC had \$1,307 and \$721, respectively of outstanding loans sold without recourse.

In 2016, \$9,039 in loans receivable were sold from the VACC to the VJF for cash. The loans receivable in the VACC loans receivable outstanding amount are shown net of these loans which at June 30, 2016 was \$8,868.

(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. While in nonaccrual status, 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, 2016 and 2015 was \$11,090 and \$10,450, respectively. These amounts represent 4.63% and 4.99% of total loans receivable outstanding at June 30, 2016 and 2015, respectively. The allowance for loan losses specific to nonaccrual loans totaled \$1,920 and \$2,121 at June 30, 2016 and 2015, respectively which represented 17% and 20%, respectively of the nonaccrual loans outstanding. Total interest collected on nonaccrual loans in the years ended 2016 and 2015 was \$397 and \$355, respectively.

(h) Capital Assets

VEDA’s capital assets include real estate (“RE”), Leasehold Improvements (“LHI”) and furniture, fixtures & equipment (“FF&E”). RE includes land and two buildings. LHI are capital improvements made to property leased from a third party (Note 8). FF&E includes office furniture and fixtures and

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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 charts below show the changes in capital assets and accumulated depreciation for the years ended June 30, 2016 and 2015:

Capital Assets Schedule For the Year Ending June 30, 2016:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier	\$ 5,731	\$ 0	\$ 0	\$ 0	\$ 5,731
Leasehold Improvements - Burlington	185	12	0	0	197
Accumulated Depreciation - RE & LHI	(1,122)	0	(178)	0	(1,300)
Furniture, fixtures and equipment	1,309	169	0	0	1,478
Accumulated Depreciation - FF&E	(981)	0	(155)	0	(1,136)
Developed Land - Montpelier	500	0	0	0	500
Total Capital Assets, net	\$ 5,622	\$ 181	\$ (333)	\$ 0	\$ 5,470

Capital Assets Schedule For the Year Ending June 30, 2015:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier	\$ 5,728	\$ 3	\$ 0	\$ 0	\$ 5,731
Leasehold Improvements - Burlington	170	15	0	0	185
Accumulated Depreciation - RE & LHI	(945)	0	(177)	0	(1,122)
Furniture, fixtures and equipment	1,237	72	0	0	1,309
Accumulated Depreciation - FF&E	(796)	0	(185)	0	(981)
Developed Land - Montpelier	500	0	0	0	500
Total Capital Assets, net	\$ 5,894	\$ 90	\$ (362)	\$ 0	\$ 5,622

The Authority depreciates capital assets (except land and land improvements) 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. LHI are depreciated over the life of the lease (Note 8).

(i) Restricted Net Position

Portions of net position are restricted when constraints are placed on them from external sources. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first with unrestricted resources utilized as needed (Note 13).

(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 or

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expenses. Inter-governmental transfers such as appropriations and other items of an unusual or non-recurring nature are considered “non-operating” revenues or expenses.

(k) Allocation of Expenses

Overhead and some minor direct expenses are paid by the VJF on behalf of the other 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.”

(l) 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*.

(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.

(3) Cash Equivalents and Investments

Cash Equivalents

The book balance of cash and cash equivalents for the past two years are presented in the charts below:

Cash and Cash Equivalent Balances at June 30, 2016:	VJF	VACC	VSBCD	Non-Major Funds Combined	VEDA TOTAL
Collateralized deposit accounts	\$ 5,041	\$ 413	\$ 1,150	\$ 572	\$ 7,176
Money market accounts	131	0	0	0	131
Total cash and cash equivalents	\$ 5,172	\$ 413	\$ 1,150	\$ 572	\$ 7,307

Cash and Cash Equivalent Balances at June 30, 2015:	VJF	VACC	VSBCD	Non-Major Funds Combined	VEDA TOTAL
Collateralized deposit accounts	\$ 3,335	\$ 583	\$ 1,235	\$ 1,085	\$ 6,238
Money market accounts	91	0	0	0	91
Total cash and cash equivalents	\$ 3,426	\$ 583	\$ 1,235	\$ 1,085	\$ 6,329

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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, 2016 and 2015 were \$131 and \$91, respectively and were comprised of direct obligations of the U.S. Government. The bank balance of the collateralized deposit accounts approximates book balance shown in the charts above.

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 \$6,337 and \$6,561 at June 30, 2016 and 2015, 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

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 Board. 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 by statute and are outside the scope of the Authority's investment policy.

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The Authority's investments are presented in these financial statements at fair value (Note 3). Under accounting principles generally accepted in the United States (GAAP), fair value is determined using a hierarchy of three assessment criteria ("Levels") based on the degree of certainty around the asset's underlying value. Assets included in "Level 1" can be valued with certainty because the investments are liquid and have clear market prices. The "Level 2" assessment includes investments whose values are based on their quoted prices in inactive markets and "Level 3" investments are illiquid and estimating their value requires inputs that are not observable and require assumptions and estimates.

The Authority's investments are described below:

Bond Mutual Funds

The Authority invests in two bond market indexed mutual funds that are Level 1 investments. One mutual fund is indexed to mirror the Barclay's Aggregate Bond Market Index™. The second mutual fund is comprised of corporate bonds with an average maturity of less than one year. The Authority's cost basis in these two funds totaled \$14,219 and \$14,400 at June 30, 2016 and 2015, respectively. The funds had a fair value of \$14,393 and \$14,219, at June 30, 2016 and 2015, respectively.

Equity Mutual Funds

The Authority holds three equity indexed mutual funds that are Level 1 investments. One mutual fund is indexed to the S&P 500 stock market index™, the second mutual fund is indexed to international developing markets and the third mutual fund is indexed to international emerging markets. The cost basis of the three funds combined was \$9,939 and \$9,600 at June 30, 2016 and 2015, respectively. The three funds had a fair value of \$9,897 and \$9,875 at June 30, 2016 and 2015, respectively.

Cobank, ACB Stock

As part of its borrowing relationship with Cobank, ACB (Note 6), the VACC is required to own Cobank stock in amounts relative to the VACC's outstanding debt with Cobank, adjusted annually. The stock is held by Cobank in the name of the VACC and is considered a Level 3 investment because Cobank stock is non-marketable; it is valued at cost. At June 30, 2016 and 2015, the VACC owned \$668 and \$620 of CoBank stock, respectively.

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.

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Consistent with the authorizing legislation, the primary purpose of VEDA's investment in VCP is "to create job opportunities and support economic development" with profit a secondary consideration. VCP is recorded at net asset value as a practical expedient and is therefore excluded from the fair value hierarchy. Net asset value may not be indicative of net realizable value or reflective of future fair value. The net asset value for VCP at June 30, 2016 and 2015 was \$208 and \$198, respectively.

The Authority, as General Partner, paid organizational costs to form the VCP and pays ongoing expenses as needed and VEDA will be reimbursed by VCP. As of June 30, 2016 and 2015, the Authority had expended \$409 and \$387 of reimbursable costs and these costs are recorded in the *Statement of Net Position* under the caption "Other assets."

Vermont Seed Capital Fund, LP

VEDA has an investment in a limited partnership called the Vermont Seed Capital Fund, LP ("VSCF"). VEDA is 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 Technologies, located in Burlington, Vermont.

In fiscal years 2010 through 2014, the Authority received State funds for investment in VSCF totaling \$4,111. In June of 2016 and 2015, the Authority received \$11 and \$15, respectively from the State for investment the VSCF bringing the total VSCF investment to \$4,137 at June 30, 2016. The authorizing legislation for the VSCF stated the primary purpose for the investment is "to increase the amount of investment capital provided to firms within the State of Vermont and to support job creation and preservation in the State of Vermont." The authorizing legislation provided that any proceeds from the seed capital investment be perpetually reinvested in a seed capital fund.

Any proceeds derived from VSCF cannot be used by VEDA except for reinvestment in the VSCF or another seed capital fund so the investment is included under the captions "Restricted Investments" and as a portion of "Restricted net position" on the *Statement of Net Position*. VSCF is recorded at net asset value as a practical expedient. Net asset value may not be indicative of net realizable value or reflective of future fair value and is therefore excluded from the fair value hierarchy. The net asset value for VSCF at June 30, 2016 and 2015 was \$3,397 and \$3,546, respectively.

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 investment's 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 Level 1 marketable securities of approximately 60% fixed-income securities with an average

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duration of less than five years combined with a mix of 40% equity securities 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.

All investments as of June 30, 2016 and 2015 are shown in the charts below:

Investments By Type or By Issuer as of June 30, 2016	Long-Term Credit Ratings		Par or Notional Amount	Weighted Average Yield	Cost Basis	Estimated Fair Value ("FV")	FV as a % of Total
	Weighted Average	Range From Low to High					
The investments below are Level 1 and FV is determined using quoted market prices:							
Total Bond Market Index Fund ¹	AA+	BAA to AAA	\$ 8,224	1.90%	\$ 8,224	\$ 8,401	29.5%
Corporate Bond Index Fund ¹	A	BAA to AAA	5,995	1.80%	5,995	5,993	21.0%
Total bond mutual funds			\$ 14,219	1.86%	\$ 14,219	\$ 14,394	50.5%
Domestic Stock Index (S&P) Fund	NOT RATED	NOT RATED	4,630	N/A	4,630	5,155	18.0%
International Markets Index Fund	NOT RATED	NOT RATED	3,948	N/A	3,948	3,503	12.3%
Emerging Markets Index Fund	NOT RATED	NOT RATED	1,361	N/A	1,361	1,239	4.3%
Total equity mutual funds			\$ 9,939		\$ 9,939	\$ 9,897	34.6%
Domestic Money Market Funds	NOT RATED	NOT RATED	\$ 2	N/A	\$ 2	\$ 2	0.0%
The investment below is Level 3 and recorded at cost:M65							
CoBank, ACB Stock	NOT RATED	NOT RATED	668	N/A	668	668	2.3%
The investments below are recorded at net asset value and excluded from the FV hierarchy:							
Vermont Seed Capital Fund, LP	NOT RATED	NOT RATED	4,137	N/A	4,137	3,397	11.9%
Vermont Capital Partners, LP	NOT RATED	NOT RATED	2,000	N/A	2,000	208	0.7%
Investments at June 30, 2016			\$ 30,965		\$ 30,965	\$ 28,566	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, 2015	Long-Term Credit Ratings		Par or Notional Amount	Weighted Average Yield	Cost Basis	Estimated Fair Value ("FV")	FV as a % of Total
	Weighted Average	Range From Low to High					
The investments below are Level 1 and FV is determined using quoted market prices:							
Total Bond Market Index Fund ¹	AA+	BAA - AAA	\$ 8,400	2.30%	\$ 8,400	\$ 8,292	29.1%
Corporate Bond Index Fund ¹	A	BAA - AAA	6,000	2.00%	6,000	5,927	20.8%
Total bond mutual funds			\$ 14,400	2.17%	\$ 14,400	\$ 14,219	49.9%
Domestic Stock Index (S&P) Fund	NOT RATED	NOT RATED	5,000	N/A	5,000	5,459	19.2%
International Markets Index Fund	NOT RATED	NOT RATED	3,400	N/A	3,400	3,245	11.4%
Emerging Markets Index Fund	NOT RATED	NOT RATED	1,200	N/A	1,200	1,171	4.1%
Total equity mutual funds			\$ 9,600		\$ 9,600	\$ 9,875	34.7%
Domestic Money Market Funds	NOT RATED	NOT RATED	\$ 1	N/A	\$ 1	\$ 1	0.0%
The investment below is Level 3 and recorded at cost:							
CoBank, ACB Stock	NOT RATED	NOT RATED	620	N/A	620	620	2.2%
CoBank, ACB Stock							
Vermont Seed Capital Fund, LP	NOT RATED	NOT RATED	4,126	N/A	4,126	3,546	12.5%
Vermont Capital Partners, LP	NOT RATED	NOT RATED	2,000	N/A	2,000	197	0.7%
Investments at June 30, 2015			\$ 30,747		\$ 30,747	\$ 28,458	100.0%

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

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4) Loans Receivable

The outstanding balance of loans receivable for the years ending June 30, 2016 and 2015 are detailed in the charts below:

Loans Receivable By Major Program Group - Balances at June 30, 2016:	VJF	VACC	VSBCD	Non-Major Funds Combined	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	\$ 17,456	\$ 0	\$ 0	\$ 0	\$ 17,456	7%
Direct loans to businesses	98,129	0	0	0	98,129	41%
Agricultural loans	8,868	81,534	0	0	90,402	38%
Small business loans	8,723	0	21,358	3,369	33,450	14%
Total Loans Receivable	\$ 133,176	\$ 81,534	\$ 21,358	\$ 3,369	\$ 239,437	100%

Loans Receivable By Major Program Group - Balances at June 30, 2015:	VJF	VACC	VSBCD	Non-Major Funds Combined	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	\$ 18,365	\$ 0	\$ 0	\$ 0	\$ 18,365	9%
Direct loans to businesses	81,194	0	0	0	81,194	38%
Agricultural loans	0	76,542	0	0	76,542	37%
Small business loans	10,800	0	20,498	2,207	33,505	16%
Total Loans Receivable	\$ 110,359	\$ 76,542	\$ 20,498	\$ 2,207	\$ 209,606	100%

In addition to the loans receivable above, there were \$19,423 and \$19,088 of Agency Fund loans outstanding at June 30, 2016 and 2015, 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 receivable 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.

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The chart below details the changes in the allowance for loan losses for 2016 and 2015:

Change in Allowance for Loan Losses For Year Ending June 30, 2016:	Beginning 2016 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2016 Allowance
VJF	\$ 4,660	\$ 1,082	\$ 506	\$ 3	\$ 5,239
VACC	599	(8)	353	4	242
VSBD	1,530	194	297	58	1,485
Non-Major Funds Combined	199	51	0	0	250
VEDA Total	\$ 6,988	\$ 1,319	\$ 1,156	\$ 65	\$ 7,216

Change in Allowance for Loan Losses For Year Ending June 30, 2015:	Beginning 2015 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2015 Allowance
VJF	\$ 3,577	\$ 1,083	\$ 0	\$ 0	\$ 4,660
VACC	607	44	68	16	599
VSBD	1,582	577	642	13	1,530
Non-Major Funds Combined	176	23	0	0	199
VEDA Total	\$ 5,942	\$ 1,727	\$ 710	\$ 29	\$ 6,988

(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.

Letter of Credit (“LC”)

The Authority utilizes a letter of credit (“LC”) to enhance the credit rating of the commercial paper it issues. This credit support is provided by an LC whereby the credit rating of the LC provider 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.

In 2015, 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 matures in February 2017 and is collateralized with \$20,000 in investment securities and a moral obligation pledge of the State for \$130,000. 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 \$934 and \$882 for 2016 and 2015, respectively.

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In the 2016 session of the Vermont legislature, an additional \$25,000 in State moral obligation pledge was authorized for VEDA. The Authority plans to negotiate an increase in its commercial paper credit facility of \$25,000 and use the proceeds of new commercial paper to reduce notes payable.

The charts below detail the rates, terms and outstanding commercial paper at June 30, 2016 and 2015:

Commercial Paper Outstanding at June 30, 2016	Issue Date	Mandatory Tender Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	05/16/2016	07/08/2016	08/12/2016	0.600%	\$ 140,000
Tax-exempt commercial paper	05/16/2016	07/08/2016	08/12/2016	0.520%	9,000
Total Commercial Paper Outstanding				0.595%	\$ 149,000

Commercial Paper Outstanding at June 30, 2015	Issue Date	Mandatory Tender Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	04/02/2015	07/06/2015	08/10/2015	0.250%	\$ 135,000
Tax-exempt commercial paper	04/02/2015	07/06/2015	08/10/2015	0.070%	10,700
Total Commercial Paper Outstanding				0.237%	\$ 145,700

The changes in commercial paper due to newly issued or refunded and matured commercial paper during 2016 and 2015 are shown in the charts below:

Changes in Commercial Paper for the year ending June 30, 2016	2016 Beginning Balance	Total CP Issued	Total CP Matured	2016 Ending Balance
Taxable commercial paper	\$ 135,000	\$ 1,105,000	\$ (1,100,000)	\$ 140,000
Tax-exempt commercial paper	10,700	76,100	(77,800)	9,000
Total Commercial Paper	\$ 145,700	\$ 1,181,100	\$ (1,177,800)	\$ 149,000

Changes in Commercial Paper for the year ending June 30, 2015	2015 Beginning Balance	Total CP Issued	Total CP Matured	2015 Ending Balance
Taxable commercial paper	\$ 135,000	\$ 540,000	\$ (540,000)	\$ 135,000
Tax-exempt commercial paper	10,500	41,350	(41,150)	10,700
Total Commercial Paper	\$ 145,500	\$ 581,350	\$ (581,150)	\$ 145,700

Subsequent to year end the Authority twice 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	07/08/2016	09/07/2016	10/12/2016	0.750%	\$ 140,000
Tax-exempt commercial paper	07/08/2016	09/07/2016	10/12/2016	0.500%	8,850
Total Commercial Paper Outstanding				0.735%	\$ 148,850

Commercial Paper Outstanding Issued Subsequent to Year End	Issue Date	Mandatory Tender Date	Maturity Date	Rate	Amount Issued
Taxable commercial paper	09/07/2016	10/18/2016	11/22/2016	0.800%	\$ 140,000
Tax-exempt commercial paper	09/07/2016	10/18/2016	11/22/2016	0.780%	7,000
Total Commercial Paper Outstanding				0.799%	\$ 147,000

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(6) Interfund Notes Payable and Notes Payable

Interfund Notes Payable

The VACC, VSBDC and VT504 borrow from VEDA (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 interfund notes payable are renewed every three years and call for monthly interest payments at a floating rate of interest tied to the cost of VEDA's Taxable CP. The interfund notes payable outstanding at June 30, 2016 and 2015 are shown in the chart below:

Interfund Notes Payable for Years Ending June 30:	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2015	Balance 2016
VACC - line of credit note	\$ 60,000	03/01/15	09/30/16	0.55%	\$ 48,900	\$ 37,550
VSBDC Loan Fund - line of credit note	25,000	03/01/15	09/30/16	0.55%	11,465	12,815
VT504 CDC Fund - line of credit note	5,000	03/01/15	09/30/16	0.55%	0	0
Total Interfund Notes Payable	\$ 90,000			0.55%	\$ 60,365	\$ 50,365

Notes Payable

Details of notes payable outstanding at June 30, 2016 and 2015 are shown in the chart below:

Notes Payable for Years Ending June 30:	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2015	Balance 2016
VJF - Northfield Savings Bank, FSB	\$ 3,400	12/13/07	12/15/22	2.90%	\$ 2,575	\$ 2,341
VJF - TD Bank, N.A.	20,000	03/24/16	03/23/18	1.24%	0	12,500
VJF - State of Vermont	10,000	02/01/15	01/31/25	2.43%	10,000	10,000
VJF - Total Notes Payable	\$ 33,400			1.88%	\$ 12,575	\$ 24,841
VACC - CoBank, ACB.	\$ 40,000	02/02/16	12/01/16	2.36%	\$ 15,500	\$ 30,500
VSBDC - USDA Rural Development IRP	\$ 1,000	08/08/89	08/08/19	1.00%	\$ 209	\$ 169
VSBDC - USDA Rural Development IRP	1,000	10/04/94	10/04/24	1.00%	399	361
VSBDC - USDA Rural Development IRP	1,000	03/16/95	03/16/25	1.00%	387	348
VSBDC - USDA Rural Development IRP	200	03/09/06	03/09/24	1.00%	105	93
VSBDC - USDA Rural Development IRP	750	03/09/06	03/09/36	1.00%	726	701
VSBDC - USDA Rural Development IRP	750	06/27/08	06/27/38	1.00%	600	575
VSBDC - USDA Rural Development IRP	750	10/29/09	10/29/39	1.00%	651	626
VSBDC - USDA Rural Development IRP	750	11/18/10	11/18/40	1.00%	701	676
VSBDC - USDA Rural Development IRP	1,000	01/10/14	01/10/44	1.00%	1,000	1,000
VSBDC - USDA Rural Development	\$ 7,200			1.00%	\$ 4,778	\$ 4,549
VT504 - USDA Rural Development IRP	\$ 750	10/29/09	10/29/39	1.00%	\$ 701	\$ 676
VT504 - USDA Rural Development IRP	750	11/18/10	11/18/40	1.00%	725	701
VT504 - USDA Rural Development IRP	1,000	02/10/14	02/10/44	1.00%	610	1,000
Non-Major Funds Combined	\$ 2,500			1.00%	\$ 2,036	\$ 2,377
Total Notes Payable	\$ 83,100			2.02%	\$ 34,889	\$ 62,267

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The notes payable are described below:

Mortgage Note Payable

The Authority carries a mortgage with Northfield Savings Bank, FSB (“NSB”) on its principal headquarters location in Montpelier, Vermont. The mortgage loan has a fixed-rate of interest and calls for monthly payments of principal and interest.

TD Bank, NA

In 2016 VEDA entered into \$20,000 line of credit note to provide additional liquidity for the VJF. The LOC is a two year facility and the terms of the note call for monthly interest payments at a floating interest rate. Included in VJF interest expense in 2016 are fees related to the LOC in the amount of \$25. The balance outstanding on the line at June 30, 2016 was \$12,500.

State of Vermont

Under legislation passed in FY 2013, the Authority was allowed to borrow up to \$10,000 from the State. At June 30, 2015 the State loan had a four month remaining term and called for principal and interest at maturity. In 2016, the loan was refunded and replaced with a ten year final maturity at a fixed-rate for five years and then a one-time adjustment until maturity. The loan calls for interest payments quarterly and 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 2016 and 2015 are fees related to the LOC in the amount of \$24 and \$47, respectively. The amount outstanding at June 30, 2016 and 2015 was \$30,500 and \$15,500, 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 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. Subsequent to year end, the VSBDC closed on a \$1,000 IRP Note payable on the same terms as the existing IRP notes payable.

Financial Debt Covenants

Under the commercial paper and certain note payable debt agreements, the Authority has agreed to comply with certain financial covenants. Some covenants require certain minimum equity levels, to maintain adversely classified loans below a specified level, or to maintain certain debt to assets ratio. As of and for the years ended June 30, 2016 and 2015, the Authority believes it has met its required financial covenants.

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

Changes in Note Payable For Year Ending June 30, 2016:	2016 Beginning Balance	Add New Debt	Less Debt Paid	2016 Ending Balance
VJF	\$ 12,575	\$ 12,500	\$ 234	\$ 24,841
VACC	15,500	35,500	20,500	30,500
VSBCDC	4,778	0	229	4,549
Non-Major Funds Combined	2,036	390	49	2,377
Total for FY 2016	\$ 34,889	\$ 48,390	\$ 21,012	\$ 62,267

Changes in Note Payable For Year Ending June 30, 2015:	2015 Beginning Balance	Add New Debt	Less Debt Paid	2015 Ending Balance
VJF	\$ 12,740	\$ 0	\$ 165	\$ 12,575
VACC	3,500	14,500	2,500	15,500
VSBCDC	4,480	525	227	4,778
Non-Major Funds Combined	1,726	360	50	2,036
Total for FY 2015	\$ 22,446	\$ 15,385	\$ 2,942	\$ 34,889

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

Notes Payable Principal: Fiscal Year	Non-Major Funds				Notes Payable Interest: VJF	Non-Major Funds			
	VJF	VACC	VSBCDC	Combined		VACC	VSBCDC	Combined	
2017	\$ 241	\$ 30,500	\$ 229	\$ 50	\$ 463	\$ 368	\$ 45	\$ 24	
2018	12,748	0	234	50	416	0	43	23	
2019	255	0	269	83	294	0	41	23	
2020	263	0	271	84	287	0	38	22	
2021	271	0	235	85	279	0	35	21	
2022-2026	11,063	0	1,063	438	1,194	0	142	93	
2027-2031	0	0	752	460	0	0	97	70	
2032-2036	0	0	790	484	0	0	59	47	
2037-2041	0	0	540	477	0	0	23	22	
2042-2046	0	0	166	166	0	0	4	4	
Total	\$ 24,841	\$ 30,500	\$ 4,549	\$ 2,377	\$ 2,933	\$ 368	\$ 527	\$ 349	

(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 \$19,462 and \$15,743 of loans at June 30, 2016 and 2015,

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respectively. The VT504 received \$159 and \$140 in fees related to the SBA 504 Loan Program in 2016 and 2015, respectively.

(8) Operating Leases

The Authority has owned the site of 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.

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 from both buildings totaled \$215 in both 2016 and 2015 and includes the pro rata share of operating expenses paid by the lessee noted above. The projected lease revenue from VEDA tenants are shown in the chart above right.

The Authority has a 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 and a share of common area maintenance and other costs. Payments over the remaining term of the lease are shown by fiscal year in the chart to the right. VEDA has annually renewable leases for space at three satellite offices located in Middlebury, Brattleboro, and St. Johnsbury. The Authority paid occupancy expenses under these leases for the years ending June 30, 2016 and 2015, of \$119 and \$98, respectively.

Lease Revenue 56-58 East State		
Fiscal Year	VJF	
2017	\$	131
2018		132
2019		158
2020		159
2021		160
2022-2026		322
2027-2031		0
Total	\$	1,062

Lease Expense 60 Main Street		
Fiscal Year	VJF	
2017	\$	52
2018		53
2019		54
2020		69
2021		75
2022-2025		254
Total	\$	557

(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

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compensation. The Authority’s retirement plan contributions as a percent of total payroll for employees enrolled in the plan is shown for the last three years in the chart below:

Retirement Plan for Fiscal Years ending June 30:	2014	2015	2016
Contributions to Simplified Employer Plan ("SEP")	\$ 211	\$ 235	\$ 263
SEP Contributions as a % of Covered Payroll	10%	10%	10%

Contributions are made to individual Simplified Employer Plan (“SEP”) accounts in the employee’s name and held by a financial institution of the employee’s choosing. Contributions to the SEP accounts are immediately 100% vested and the Authority does not offer any additional post-employment benefits to its employees.

(10) Contingent Liabilities

Insurance (Loan Guarantee) Programs

The Authority’s two loan guarantee programs, the MIP and the FAP were repealed in 2016. The contingent liability that remains has been transferred from the State to VEDA. The contingent liability in the MIP totaled \$39 and \$1,076 at June 30, 2016 and 2015, respectively. The contingent liability for the FAP totaled \$90 and \$127 at June 30, 2016 and 2015, respectively.

A loan insured under the MIP in the amount of \$810 was in the process of liquidation at June 30, 2015. The Authority recorded provision for loss related to this loan of \$98 in fiscal 2016; there was no provision in 2015. Losses in the MIP are recorded under the caption “Provision for losses on insured loans” on the *Statement of Revenues, Expenses and Changes in Net Position*.

Subsequent to year end, the “Energy Loan Guarantee Program” was terminated and VEDA assumed a contingent liability for future losses in the existing guarantees which totaled \$82 at June 30, 2016.

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 Uniform Guidance or to financial and compliance audits by the grantor agencies. Any guarantees paid or amounts received that are disallowed as a result of these audits would become a liability of the Authority. At June 30, 2016 and 2015, 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

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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, 2016 the Authority had outstanding commitments for new loans and undisbursed amounts on existing loans. The amounts are expected to be disbursed in the next fiscal year and are detailed in the chart below:

Outstanding Commitments Balances at June 30, 2016	VJF	VACC	VSBCD	Non-Major Funds Combined	VEDA TOTAL
Loan receivable commitments	\$ 6,444	\$ 5,821	\$ 1,642	\$ 0	\$ 13,907
Undisbursed loans receivable	5,572	2,982	768	0	9,322
Outstanding Commitments	\$ 12,016	\$ 8,803	\$ 2,410	\$ 0	\$ 23,229

(12) Relationships with the State of Vermont

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 with the State stipulates that the borrower’s principal repayments be held by VEDA until such time as the funds are requested by the State. VEDA’s obligation to repay the advanced funds is limited to repayments received from the Authority’s borrower. Principal payments of \$217 and \$109 were collected in 2016 and 2015, respectively. The aggregate amount of principal payments collected was \$326 and \$109 at June 30, 2016 and 2015, respectively and are recorded on the *Statement of Net Position* under the caption “Cash and cash equivalents – Restricted.”

In 2012, the Authority received an advance for \$1,800 in the VSBCD for an interest rate subsidy program for small businesses impaired by floods in May 2011 and 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 2016 and 2015 was \$13 and \$1 respectively; \$316 of the advance was returned to the State in 2014. The amount of the advance outstanding at June 30, 2016 and 2015 was \$17 and \$30 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. The 2009 Advance had no balance at June 30, 2016 or 2015 and the final \$144 of the 2009 Advance was earned in 2015.

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The amounts earned on advances are reflected under the caption "Advance 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."

Mortgage Insurance Fund and Financial Access Programs

In 2016, the statute authorizing the State of Vermont to pledge its full faith and credit to support the operations of the MIP and FAP was repealed. The statute authorized the transfer of \$18 to VEDA from the State which represents the balance of funds held by the State to pay future losses. The transfer is recorded on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption "Non-operating income from State of Vermont."

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:

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 improvement projects. The Authority issues loans receivable and is assisted by the ANR in approving the loans. The VJF earned \$94 and \$98 in fees in 2016 and 2015, respectively.

Clean Energy Development Fund ("CEDF")

The Authority provides services to CEDF which is operated by 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. The VJF earned \$37 and \$40 in fees for services in 2016 and 2015, 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 \$4 and \$6 in fees for services in 2016 and 2015, 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 \$15 and \$14 in fees for services in 2016 and 2015, respectively.

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Windham County Economic Development Program (“WCEDP”)

In 2016, the State Agency of Commerce and Community Development (“ACCD”) established WCEDP to help businesses in Windham County that are adversely impacted by the closing of the Vermont Yankee Nuclear Power Plant in Vernon. The Authority provides services to ACCD in the operation of the WCEDP loan fund. The VJF earned no fees for services in 2016.

A summary of the cash and loans receivable at June 30, 2016 and 2015 for the respective State agencies are shown in the chart below:

At June 30, 2016:	DWF	CEDF	SIB	BRF	WCEDF	TOTAL
Cash and cash equivalents	\$ 2,130	\$ 780	\$ 3,354	\$ 70	\$ 3	\$ 6,337
Loans receivable	14,784	3,155	0	1,284	200	19,423
Total Due To Agency	\$ 16,914	\$ 3,935	\$ 3,354	\$ 1,354	\$ 203	\$ 25,760

At June 30, 2015:	DWF	CEDF	SIB	BRF	WCEDF	TOTAL
Cash and cash equivalents	\$ 2,261	\$ 775	\$ 3,300	\$ 225	\$ 0	\$ 6,561
Loans receivable	14,541	3,552	0	995	0	19,088
Total Due To Agency	\$ 16,802	\$ 4,327	\$ 3,300	\$ 1,220	\$ 0	\$ 25,649

Grants on Behalf of the State

Pursuant to an agreement with the State, VEDA funds grants made by two State Agencies. By legislation passed in 2015, VEDA was authorized to return the remaining \$201 of grant funds to the State. No grants funds remained outstanding at June 30, 2016; the amount available for grants at June 30, 2015 totaled \$201 and is recorded on the *Statement of Net Position* under the caption “Other Liability - State of Vermont.”

(13) Restricted Net Position

VEDA had restricted net position of \$26,893 and \$25,794 at June 30, 2016 and 2015, respectively. The purpose of the various restricted net position amounts are described below:

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.

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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 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 contributed \$500 for the cash corpus of a reserve fund for bank loans guaranteed by VEDA and made for energy generation or conservation projects. The State matched VEDA's contribution with a \$500 appropriation to make the aggregate cash reserve \$1,000. Participating financial institutions had enrolled \$82 and \$69 of loans in the loan guarantee program as of June 30, 2016 and 2015, respectively. Subsequent to year end, the program was terminated and the Authority will be responsible for any future claims. The \$500 appropriation was reversed and recorded as a liability to the State pending repurposing the funds. VEDA's \$500 was moved from restricted to unrestricted cash and cash equivalents.

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 plus any principal repayments designated by the Authority as "recycled funds" must be restricted for use within the approved federal programs.

VEDA Capital Access Program ("VCAP")

Included in Restricted cash and cash equivalents was \$249 and \$213 in the VJF at June 30, 2016 and 2015, 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 portions are recorded under the caption "Escrow and reserve accounts" on the *Statement of Net Position*.

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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*.

The changes in restricted net position for the past two years are detailed in the chart below:

Restricted Net Position for Years Ending June 30, 2014, 2015 & 2016:	Balance at 06/30/2014	Increase (Decrease)	Balance at 06/30/2015	Increase (Decrease)	Balance at 06/30/2016
For commercial paper collateral	\$ 20,070	\$ 21	\$ 20,091	\$ 40	\$ 20,131
For Vermont seed capital fund	3,574	(29)	3,545	(148)	3,397
For interest rate subsidies	225	(225)	0	0	0
For energy guarantee program	1,000	0	1,000	0	1,000
For federal program	273	(188)	85	1,470	1,555
For VEDA Capital Access Program	65	38	103	(4)	99
VJF Total	25,207	(383)	24,824	1,358	26,182
For interest rate subsidies	609	(260)	349	(311)	38
For investment in Cobank	601	19	620	48	668
VACC Total	1,210	(241)	969	(263)	706
Non-Major Funds Combined	0	0	0	5	5
Totals at June 30, 2014, 2015 and 2016	\$ 26,417	\$ (624)	\$ 25,793	\$ 1,100	\$ 26,893

(14) Unearned 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 2015, VEDA received the remaining \$8,823. The SSBCI funds are used to fund a portion of eligible projects in the VJF.

The SSBCI funds are recorded on the *Statement of Net Position* under the caption “Unearned 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. In 2016 and 2015, the Authority earned \$295 and \$4,364 respectively of the SSBCI grant which is recorded on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption “Federal Grant Revenue Earned.” The Authority had unearned revenue related to the SSBCI programs of \$295 at June 30, 2015; there was no unearned revenue at June 30, 2016.



VERMONT ECONOMIC DEVELOPMENT AUTHORITY

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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, 2016 and 2015

Supplementary Schedules

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Vermont Economic Development Authority
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Combining Statement of Net Position - Non-Major Funds Combined
as of June 30, 2016

<i>Dollar Amounts in Thousands</i>	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:				
Cash and cash equivalents:				
Unrestricted	\$ 553	\$ 0	\$ 0	\$ 553
Restricted	<u>19</u>	<u>0</u>	<u>0</u>	<u>19</u>
Total cash and cash equivalents	572	0	0	572
Loans receivable	483	0	0	483
Accrued interest receivable	<u>7</u>	<u>0</u>	<u>0</u>	<u>7</u>
Receivable from State of Vermont	0	0	0	0
Other assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total current assets	<u>1,062</u>	<u>0</u>	<u>0</u>	<u>1,062</u>
Loans receivable, less current portion	2,886	0	0	2,886
Less allowance for loan losses	<u>(250)</u>	<u>0</u>	<u>0</u>	<u>(250)</u>
Loans receivable, less current portion, net of allowance	2,636	0	0	2,636
Total assets	\$ 3,698	\$ 0	\$ 0	\$ 3,698
Current Liabilities:				
Notes payable	\$ 50	\$ 0	\$ 0	\$ 50
Escrow and reserve accounts	0	0	0	0
Accounts payable and accrued expenses	1	0	0	1
Interfund accounts payable	259	0	0	259
Reserve for losses on insured loans	0	0	0	0
Accrued interest payable	<u>13</u>	<u>0</u>	<u>0</u>	<u>13</u>
Total current liabilities	323	0	0	323
Notes payable, less current portion	<u>2,327</u>	<u>0</u>	<u>0</u>	<u>2,327</u>
Total liabilities	\$ 2,650	\$ 0	\$ 0	\$ 2,650
Restricted net position	5	0	0	5
Unrestricted net position	1,043	0	0	1,043
Total net position	<u>\$ 1,048</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,048</u>

Vermont Economic Development Authority
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Combining Statement of Net Position - Non-Major Funds Combined
as of June 30, 2015

<i>Dollar Amounts in Thousands</i>	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:				
Cash and cash equivalents:				
Unrestricted	\$ 1,036	\$ 0	\$ 0	\$ 1,036
Restricted	<u>0</u>	<u>2</u>	<u>47</u>	<u>49</u>
Total cash and cash equivalents:	1,036	2	47	1,085
Loans receivable	302	0	0	302
Accrued interest receivable	5	0	0	5
Receivable from State of Vermont	<u>0</u>	<u>395</u>	<u>0</u>	<u>395</u>
Total current assets	<u>1,343</u>	<u>397</u>	<u>47</u>	<u>1,787</u>
Loans receivable, less current portion	1,905	0	0	1,905
Less allowance for loan losses	<u>(199)</u>	<u>0</u>	<u>0</u>	<u>(199)</u>
Loans receivable, less current portion, net of allowance	1,706	0	0	1,706
Total assets	\$ 3,049	\$ 397	\$ 47	\$ 3,493
Current Liabilities:				
Notes payable	\$ 49	\$ 0	\$ 0	\$ 49
Escrow and reserve accounts	0	0	47	47
Interfund accounts payable	26	4	0	30
Reserve for losses on insured loans	0	393	0	393
Accrued interest payable	<u>12</u>	<u>0</u>	<u>0</u>	<u>12</u>
Total current liabilities	87	397	47	531
Notes payable, less current portion	<u>1,987</u>	<u>0</u>	<u>0</u>	<u>1,987</u>
Total liabilities	\$ 2,074	\$ 397	\$ 47	\$ 2,518
Total net position	<u>\$ 975</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 975</u>

Vermont Economic Development Authority
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 Combining Statement of Revenues, Expenses and Changes in Net Position -
 Non-Major Funds Combined
 For the year ended June 30, 2016

<i>Dollar Amounts in Thousands</i>	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Operating Revenues:				
Cash and investment interest	\$ 9	\$ 0	\$ 0	\$ 9
Loans receivable interest	118	0	0	118
Other revenues	<u>163</u>	<u>28</u>	<u>0</u>	<u>191</u>
Total operating revenues	<u>290</u>	<u>28</u>	<u>0</u>	<u>318</u>
Operating Expenses:				
Interest on notes payable	22	0	0	22
Provision for loan losses	51	0	0	51
Provision for losses on insured loans	0	98	0	98
Professional fees	22	0	0	22
Interfund expense allocation	<u>138</u>	<u>14</u>	<u>0</u>	<u>152</u>
Total operating expenses	<u>233</u>	<u>112</u>	<u>0</u>	<u>345</u>
Operating income (loss)	57	(84)	0	(27)
Non-operating revenue (expense):				
Non-operating revenue - State of Vermont	0	98	0	98
Interfund non-operating revenue (expense)	<u>16</u>	<u>(14)</u>	<u>0</u>	<u>2</u>
Total non-operating revenue	<u>16</u>	<u>84</u>	<u>0</u>	<u>100</u>
Net increase in net position	73	0	0	73
Net position at beginning of year	<u>975</u>	<u>0</u>	<u>0</u>	<u>975</u>
Net position at end of year	<u>\$ 1,048</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,048</u>

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 Combining Statement of Revenues, Expenses and Changes in Net Position -
 Non-Major Funds Combined
 For the year ended June 30, 2015

<i>Dollar Amounts in Thousands</i>	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	104	0	0	104
Other revenues	<u>140</u>	<u>34</u>	<u>0</u>	<u>174</u>
Total operating revenues	<u>246</u>	<u>34</u>	<u>0</u>	<u>280</u>
Operating Expenses:				
Interest on notes payable	18	0	0	18
Provision for loan losses	23	0	0	23
Professional fees	17	(1)	0	16
Interfund expense allocation	<u>121</u>	<u>23</u>	<u>0</u>	<u>144</u>
Total operating expenses	<u>179</u>	<u>22</u>	<u>0</u>	<u>201</u>
Operating income	67	12	0	79
Non-operating revenue (expense):				
Non-operating expense - State of Vermont	0	(12)	0	(12)
Interfund non-operating revenue	<u>23</u>	<u>0</u>	<u>0</u>	<u>23</u>
Total non-operating revenue (expense)	<u>23</u>	<u>(12)</u>	<u>0</u>	<u>11</u>
Net increase in net position	90	0	0	90
Net position at beginning of year	<u>885</u>	<u>0</u>	<u>0</u>	<u>885</u>
Net position at end of year	<u>\$ 975</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 975</u>

Vermont Economic Development Authority
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Combining Statement of Cash Flows - Non-Major Funds Combined
For the Year Ended June 30, 2016

<i>Dollar Amounts in Thousands</i>	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Cash flows from operating activities:				
Interest received on loans receivable	\$ 116	\$ 0	\$ 0	\$ 116
Other revenues received	163	28	0	191
Operating expenses paid other than interest	74	(18)	0	56
Disbursements to participating FAP banks, net	0	0	(47)	(47)
Principal received on loans receivable	305	0	0	305
Principal disbursed on loans receivable	<u>(1,207)</u>	<u>0</u>	<u>0</u>	<u>(1,207)</u>
Net cash (used for) provided by operating activities	<u>(549)</u>	<u>10</u>	<u>(47)</u>	<u>(586)</u>
Cash flows from non-capital financing activities:				
Interest paid on notes payable	(21)	0	0	(21)
Interfund non-operating income received	16	(14)	0	2
Interfund transfer of loans receivable for cash	(260)	0	0	(260)
Non-operating income received from State of Vermont	0	507	0	507
Non-operating expense paid - State of Vermont	0	(14)	0	(14)
Proceeds from notes payable	390	0	0	390
Payments on notes payable	(49)	0	0	(49)
Payments for losses on insured loans, net	<u>0</u>	<u>(491)</u>	<u>0</u>	<u>(491)</u>
Net cash provided by (used for) non-capital financing activities	<u>76</u>	<u>(12)</u>	<u>0</u>	<u>64</u>
Cash flows from investing activities:				
Interest received on cash and investments	<u>9</u>	<u>0</u>	<u>0</u>	<u>9</u>
Net cash provided by investing activities	<u>9</u>	<u>0</u>	<u>0</u>	<u>9</u>
Net (decrease) increase in cash and cash equivalents	(464)	(2)	(47)	(513)
Cash and cash equivalents at beginning of year	<u>1,036</u>	<u>2</u>	<u>47</u>	<u>1,085</u>
Cash and cash equivalents at end of year	\$ <u>572</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>572</u>
Reconciliation of operating income (loss) to (used for) provided by operating activities:				
Operating income (loss)	\$ 57	\$ (84)	\$ 0	\$ (27)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:				
Interest income on investment activities	(9)	0	0	(9)
Interest paid on notes payable	22	0	0	22
Provision for loan losses	51	0	0	51
Provision for losses on insured loans	0	98	0	98
Interfund transfer of loans receivable	260	0	0	260
Changes in assets and liabilities:				
Loans receivable	(1,162)	0	0	(1,162)
Accrued interest receivable	(2)	0	0	(2)
Escrow and reserve accounts	0	0	(47)	(47)
Accounts payable and accrued expenses	1	0	0	1
Interfund accounts payable	<u>233</u>	<u>(4)</u>	<u>0</u>	<u>229</u>
Net cash (used for) provided by operating activities	<u>\$ (549)</u>	<u>\$ 10</u>	<u>\$ (47)</u>	<u>\$ (586)</u>

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Cash Flows - Non-Major Funds Combined
For the Year Ended June 30, 2015

<i>Dollar Amounts in Thousands</i>	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Cash flows from operating activities:				
Interest received on loans receivable	\$ 102	\$ 0	\$ 0	\$ 102
Other revenues received	140	34	0	174
Operating expenses paid other than interest	(132)	(20)	0	(152)
Disbursements to participating FAP banks, net	0	0	(11)	(11)
Principal received on loans receivable	108	0	0	108
Principal disbursed on loans receivable	<u>(269)</u>	<u>0</u>	<u>0</u>	<u>(269)</u>
Net cash (used for) provided by operating activities	<u>(51)</u>	<u>14</u>	<u>(11)</u>	<u>(48)</u>
Cash flows from non-capital financing activities:				
Interest paid on notes payable	(16)	0	0	(16)
Interfund operating transfer received	23	0	0	23
Interfund transfer of loans receivable for cash	(110)	0	0	(110)
Non-operating income received from State of Vermont	0	12	0	12
Non-operating expense paid to State of Vermont	0	(29)	0	(29)
Proceeds from notes payable	360	0	0	360
Payments on notes payable	<u>(50)</u>	<u>0</u>	<u>0</u>	<u>(50)</u>
Net cash provided by (used for) non-capital financing activities	<u>207</u>	<u>(17)</u>	<u>0</u>	<u>190</u>
Cash flows from investing activities:				
Interest received on cash and investments	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>
Net cash provided by investing activities	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>
Net increase (decrease) in cash and cash equivalents	158	(3)	(11)	144
Cash and cash equivalents at beginning of year	<u>878</u>	<u>5</u>	<u>58</u>	<u>941</u>
Cash and cash equivalents at end of year	\$ <u>1,036</u>	\$ <u>2</u>	\$ <u>47</u>	\$ <u>1,085</u>
Reconciliation of operating income (loss) to net cash (used for) provided by operating activities:				
Operating income (loss)	\$ 67	\$ 12	\$ 0	\$ 79
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:				
Interest income on investment activities	(2)	0	0	(2)
Interest expense paid on notes payable	18	0	0	18
Provision for loan losses	23	0	0	23
Interfund transfer of loans receivable	110	0	0	110
Changes in assets and liabilities:				
Loans receivable	(271)	0	0	(271)
Accrued interest receivable	(2)	0	0	(2)
Escrow and reserve accounts	0	0	(11)	(11)
Interfund accounts payable	<u>6</u>	<u>2</u>	<u>0</u>	<u>8</u>
Net cash (used for) provided by operating activities	<u>\$ (51)</u>	<u>\$ 14</u>	<u>\$ (11)</u>	<u>\$ (48)</u>

Vermont Small Business Development Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Net Position
as of June 30, 2016 and 2015

<i>Dollar Amounts in Thousands</i>	as of June 30, 2016			as of June 30, 2015		
	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
	Current Assets:					
Unrestricted cash and cash equivalents	\$ 1,066	\$ 84	\$ 1,150	\$ 1,116	\$ 119	\$ 1,235
Loans receivable	778	2,209	2,987	813	1,828	2,641
Accrued interest receivable	11	30	41	14	27	41
Other assets	<u>0</u>	<u>1</u>	<u>1</u>	<u>(2)</u>	<u>5</u>	<u>3</u>
Total current assets	<u>1,855</u>	<u>2,324</u>	<u>4,179</u>	<u>1,941</u>	<u>1,979</u>	<u>3,920</u>
Loans receivable, less current portion	5,089	13,282	18,371	5,120	12,737	17,857
Less allowance for loan losses	<u>(307)</u>	<u>(1,178)</u>	<u>(1,485)</u>	<u>(322)</u>	<u>(1,208)</u>	<u>(1,530)</u>
Loans receivable, less current portion, net of allowance	<u>4,782</u>	<u>12,104</u>	<u>16,886</u>	<u>4,798</u>	<u>11,529</u>	<u>16,327</u>
Total assets	\$ 6,637	\$ 14,428	\$ 21,065	\$ 6,739	\$ 13,508	\$ 20,247
Current Liabilities:						
Interfund note payable	\$ 0	\$ 12,815	\$ 12,815	\$ 0	\$ 11,465	\$ 11,465
Notes payable	229	0	229	230	0	230
Accounts payable and accrued expenses	3	(2)	1	3	0	3
Interfund accounts (receivable) payable	(142)	132	(10)	(114)	635	521
Other liability - State of Vermont	0	18	18	0	31	31
Accrued interest payable	<u>24</u>	<u>0</u>	<u>24</u>	<u>22</u>	<u>0</u>	<u>22</u>
Total current liabilities	114	12,963	13,077	141	12,131	12,272
Notes payable, less current portion	<u>4,320</u>	<u>0</u>	<u>4,320</u>	<u>4,548</u>	<u>0</u>	<u>4,548</u>
Total liabilities	\$ 4,434	\$ 12,963	\$ 17,397	\$ 4,689	12,131	\$ 16,820
Unrestricted net position	\$ 2,203	\$ 1,465	\$ 3,668	\$ 2,050	\$ 1,377	\$ 3,427

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, 2016 and 2015

<i>Dollar Amounts in Thousands</i>	For the Year Ended June 30, 2016			For the Year Ended June 30, 2015		
	VSBDC	VSBDC	VSBDC	VSBDC	VSBDC	VSBDC
	IRP	Loan	Combined	IRP	Loan	Combined
	Fund	Fund	Total	Fund	Fund	Total
Operating Revenues:						
Cash and investment interest	\$ 5	\$ 1	\$ 6	\$ 2	\$ 1	\$ 3
Loans receivable interest	271	704	975	303	634	937
Other revenues	<u>18</u>	<u>53</u>	<u>71</u>	<u>13</u>	<u>34</u>	<u>47</u>
Total operating revenues	<u>294</u>	<u>758</u>	<u>1,052</u>	<u>318</u>	<u>669</u>	<u>987</u>
Operating Expenses:						
Interfund interest expense	0	146	146	0	111	111
Interest on notes payable	46	0	46	46	0	46
Provision for loan losses	8	186	194	3	574	577
Professional fees	14	(5)	9	20	(7)	13
Interfund expense allocation	<u>109</u>	<u>304</u>	<u>413</u>	<u>110</u>	<u>272</u>	<u>382</u>
Total operating expenses	<u>177</u>	<u>631</u>	<u>808</u>	<u>179</u>	<u>950</u>	<u>1,129</u>
Operating income (loss)	117	127	244	139	(281)	(142)
Non-operating revenue:						
Non-operating revenue - State of Vermont	0	0	0	0	0	0
Appropriation earned from advance	0	13	13	0	0	0
Interfund non-operating revenue (expense)	<u>36</u>	<u>(52)</u>	<u>(16)</u>	<u>39</u>	<u>(16)</u>	<u>23</u>
Total non-operating revenue (expense)	<u>36</u>	<u>(39)</u>	<u>(3)</u>	<u>39</u>	<u>(16)</u>	<u>23</u>
Net increase (decrease) in net position	153	88	241	178	(297)	(119)
Net position at beginning of year	<u>2,050</u>	<u>1,377</u>	<u>3,427</u>	<u>1,872</u>	<u>1,674</u>	<u>3,546</u>
Net position at end of year	\$ <u>2,203</u>	\$ <u>1,465</u>	\$ <u>3,668</u>	\$ <u>2,050</u>	\$ <u>1,377</u>	\$ <u>3,427</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, 2016 and 2015

<i>Dollar Amounts in Thousands</i>	For the Year Ended June 30, 2016			For the Year Ended June 30, 2015		
	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
	Cash flows from operating activities:					
Interest received on loans receivable	\$ 274	\$ 701	\$ 975	\$ 303	\$ 637	\$ 940
Other revenues received	18	53	71	13	34	47
Operating expenses paid other than interest	(153)	(800)	(953)	(171)	237	66
Principal received on loans receivable	1,102	2,928	4,030	852	2,815	3,667
Principal disbursed on loans receivable	<u>(1,059)</u>	<u>(4,330)</u>	<u>(5,389)</u>	<u>(619)</u>	<u>(4,217)</u>	<u>(4,836)</u>
Net cash provided by (used for) operating activities	<u>182</u>	<u>(1,448)</u>	<u>(1,266)</u>	<u>378</u>	<u>(494)</u>	<u>(116)</u>
Cash flows from noncapital financing activities:						
Interest paid on interfund note payable	0	(146)	(146)	0	(111)	(111)
Interest paid on notes payable	(44)	0	(44)	(43)	0	(43)
Interfund non-operating revenue (expense)	36	(52)	(16)	39	(16)	23
Interfund transfer of loans receivable	0	260	260	145	(732)	(587)
Payments on interfund note payable	0	1,350	1,350	0	1,165	1,165
Proceeds from notes payable	0	0	0	475	0	475
Payments on notes payable	<u>(229)</u>	<u>0</u>	<u>(229)</u>	<u>(177)</u>	<u>0</u>	<u>(177)</u>
activities	<u>(237)</u>	<u>1,412</u>	<u>1,175</u>	<u>439</u>	<u>306</u>	<u>745</u>
Cash flows from investing activities:						
Interest received on cash and investments	5	1	6	2	1	3
Net cash provided by investing activities	5	1	6	2	1	3
Net (decrease) increase in cash and cash equivalents	(50)	(35)	(85)	819	(187)	632
Cash and cash equivalents at beginning of year	1,116	119	1,235	297	306	603
Cash and cash equivalents at end of year	\$ 1,066	\$ 84	\$ 1,150	\$ 1,116	\$ 119	\$ 1,235
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 117	\$ 127	\$ 244	\$ 139	\$ (281)	\$ (142)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Interest income on investment activities	(5)	(1)	(6)	(2)	(1)	(3)
Interest paid on interfund notes payable	0	146	146	0	111	111
Interest expense on notes payable	46	0	46	46	0	46
Provision for loan losses	8	186	194	3	574	577
Interfund transfer of loans receivable for cash	0	(260)	(260)	(145)	732	587
Changes in assets and liabilities:						
Loans receivable	66	(926)	(860)	367	(1,493)	(1,126)
Allowance for loan losses	(23)	(216)	(239)	11	(640)	(629)
Accrued interest receivable	3	(3)	0	0	3	3
Other assets	(2)	4	2	11	(1)	10
Accounts payable and accrued expenses	0	(2)	(2)	3	0	3
Interfund accounts payable	<u>(28)</u>	<u>(503)</u>	<u>(531)</u>	<u>(55)</u>	<u>502</u>	<u>447</u>
Net cash provided by (used for) operating activities	<u>\$ 182</u>	<u>\$ (1,448)</u>	<u>\$ (1,266)</u>	<u>\$ 378</u>	<u>\$ (494)</u>	<u>\$ (116)</u>

Vermont 504 Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Net Position
as of June 30, 2016 and 2015

<i>Dollar Amounts in Thousands</i>	as of June 30, 2016			as of June 30, 2015		
	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
	Current Assets:					
Unrestricted cash and cash equivalents	\$ 488	\$ 65	\$ 553	\$ 834	\$ 202	\$ 1,036
Restricted cash	0	19	19	0	0	0
Loans receivable	214	269	483	302	0	302
Accrued interest receivable	6	1	7	5	0	5
Other assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total current assets	<u>708</u>	<u>354</u>	<u>1,062</u>	<u>1,141</u>	<u>202</u>	<u>1,343</u>
Loans receivable, less current portion	2,768	118	2,886	1,905	0	1,905
Less allowance for loan losses	<u>(246)</u>	<u>(4)</u>	<u>(250)</u>	<u>(199)</u>	<u>0</u>	<u>(199)</u>
Loans receivable, less current portion, net of allowance	<u>2,522</u>	<u>114</u>	<u>2,636</u>	<u>1,706</u>	<u>0</u>	<u>1,706</u>
Total assets	\$ 3,230	\$ 468	\$ 3,698	\$ 2,847	202	\$ 3,049
Current Liabilities:						
Notes payable	\$ 50	\$ 0	\$ 50	\$ 49	\$ 0	\$ 49
Accounts payable and accrued expenses	0	1	1	0	0	0
Interfund accounts payable	32	227	259	5	21	26
Accrued interest payable	<u>13</u>	<u>0</u>	<u>13</u>	<u>12</u>	<u>0</u>	<u>12</u>
Total current liabilities	95	228	323	66	21	87
Notes payable, less current portion	<u>2,327</u>	<u>0</u>	<u>2,327</u>	<u>1,987</u>	<u>0</u>	<u>1,987</u>
Total liabilities	\$ 2,422	\$ 228	\$ 2,650	\$ 2,053	21	\$ 2,074
Restricted net position	0	5	5	0	0	0
Unrestricted net position	808	235	1,043	794	181	975
Total net position	\$ 808	\$ 240	\$ 1,048	\$ 794	\$ 181	\$ 975

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, 2016 and 2015

<i>Dollar Amounts in Thousands</i>	For the Year Ended June 30, 2016			For the Year Ended June 30, 2015		
	VT504	VT504	VT504	VT504	VT504	VT504
	IRP Fund	SBA CDC Fund	Combined Total	IRP Fund	SBA CDC Fund	Combined Total
Operating Revenues:						
Cash and investment interest	\$ 3	\$ 6	\$ 9	\$ 2	\$ 0	\$ 2
Loans receivable interest	118	0	118	104	0	104
Other revenues	<u>2</u>	<u>161</u>	<u>163</u>	<u>2</u>	<u>138</u>	<u>140</u>
Total operating revenues	<u>123</u>	<u>167</u>	<u>290</u>	<u>108</u>	<u>138</u>	<u>246</u>
Operating Expenses:						
Interest on notes payable	22	0	22	18	0	18
Provision for loan losses	47	4	51	23	0	23
Professional fees	0	22	22	0	17	17
Interfund expense allocation	<u>56</u>	<u>82</u>	<u>138</u>	<u>39</u>	<u>82</u>	<u>121</u>
Total operating expenses	<u>125</u>	<u>108</u>	<u>233</u>	<u>80</u>	<u>99</u>	<u>179</u>
Operating (expense) income	(2)	59	57	28	39	67
Non-operating revenue (expense) - interfund transfers	<u>16</u>	<u>0</u>	<u>16</u>	<u>23</u>	<u>0</u>	<u>23</u>
Net decrease in net position	14	59	73	51	39	90
Net position at beginning of year	<u>794</u>	<u>181</u>	<u>975</u>	<u>743</u>	<u>142</u>	<u>885</u>
Net position at end of year	<u>\$ 808</u>	<u>\$ 240</u>	<u>\$ 1,048</u>	<u>\$ 794</u>	<u>\$ 181</u>	<u>\$ 975</u>

Vermont 504 Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Cash Flows
For the Years Ended June 30, 2016 and 2015

<i>Dollar Amounts in Thousands</i>	For the Year Ended June 30, 2016			For the Year Ended June 30, 2015		
	VT504	VT504	VT504	VT504	VT504	VT504
	IRP Fund	SBA CDC Fund	Combined Total	IRP Fund	SBA CDC Fund	Combined Total
Cash flows from operating activities:						
Interest received on loans receivable	\$ 117	\$ (1)	\$ 116	\$ 102	\$ 0	\$ 102
Other revenues received	2	161	163	2	138	140
Operating expenses paid other than interest	(29)	103	74	(38)	(94)	(132)
Transfer from unrestricted to restricted cash	0	(19)	(19)	0	0	0
Principal received on loans receivable	292	13	305	108	0	108
Principal disbursed on loans receivable	(807)	(400)	(1,207)	(269)	0	(269)
Net cash (used for) provided by operating activities	<u>(425)</u>	<u>(143)</u>	<u>(568)</u>	<u>(95)</u>	<u>44</u>	<u>(51)</u>
Cash flows from noncapital financing activities:						
Interest paid on notes payable	\$ (21)	\$ 0	\$ (21)	\$ (16)	\$ 0	\$ (16)
Interfund non-operating revenue (expense)	16	0	16	23	0	23
Interfund transfer of loans receivable for cash	(260)	0	(260)	(110)	0	(110)
Proceeds from notes payable	390	0	390	360	0	360
Payments on notes payable	(49)	0	(49)	(50)	0	(50)
Net cash provided by non-capital financing activities	<u>76</u>	<u>0</u>	<u>76</u>	<u>207</u>	<u>0</u>	<u>207</u>
Cash flows from investing activities:						
Interest received on cash and investments	<u>3</u>	<u>6</u>	<u>9</u>	<u>2</u>	<u>0</u>	<u>2</u>
Net cash provided by investing activities	<u>3</u>	<u>6</u>	<u>9</u>	<u>2</u>	<u>0</u>	<u>2</u>
Net (decrease) increase in cash and cash equivalents	(346)	(137)	(483)	114	44	158
Cash and cash equivalents at beginning of year	<u>834</u>	<u>202</u>	<u>1,036</u>	<u>720</u>	<u>158</u>	<u>878</u>
Cash and cash equivalents at end of year	\$ <u>488</u>	\$ <u>65</u>	\$ <u>553</u>	\$ <u>834</u>	\$ <u>202</u>	\$ <u>1,036</u>
Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:						
Operating (loss) income	\$ (2)	\$ 59	\$ 57	\$ 28	\$ 39	\$ 67
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:	net					
Interest income on investment activities	(3)	(6)	(9)	(2)	0	(2)
Interest expense on notes payable	22	0	22	18	0	18
Provision for loan losses	47	4	51	23	0	23
Interfund transfer of loans receivable	260	0	260	110	0	110
Changes in assets and liabilities:						
Restricted cash	0	(19)	(19)	0	0	0
Loans receivable	(775)	(387)	(1,162)	(271)	0	(271)
Accrued interest receivable	(1)	(1)	(2)	(2)	0	(2)
Accounts payable and accrued expenses	0	1	1	0	0	0
Interfund accounts payable	<u>27</u>	<u>206</u>	<u>233</u>	<u>1</u>	<u>5</u>	<u>6</u>
Net cash (used for) provided by operating activities:	<u>\$ (425)</u>	<u>\$ (143)</u>	<u>\$ (568)</u>	<u>\$ (95)</u>	<u>\$ 44</u>	<u>\$ (51)</u>