



**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, 2010 and 2009**

**(and Report of Independent Auditors')**

F.09.10.2010





## **VERMONT ECONOMIC DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Vermont)

Financial Statements with Supplementary Information

### **Table of Contents**

Report on Management's Responsibility	1
Report of Independent Auditors'	2
Management's Discussion and Analysis - Required Supplementary Information (unaudited)	3 - 14
<u>Basic Financial Statements:</u>	
Balance Sheet	15 - 16
Statement of Revenues, Expenses and Changes in Net Assets	17 - 18
Statement of Cash Flows	19 - 22
Statement of Fiduciary Assets and Liabilities for the Agency Funds	23
Notes to Financial Statements	24 - 42

### **Supplementary Schedules**

Combining Financial Statements - Non-Major Funds	43 - 48
Combining Financial Statements – Vermont Small Business Development Corporation	49 - 51
Combining Financial Statements – Vermont 504 Corporation	52 - 54

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## Report on Management's Responsibility

August 27, 2010

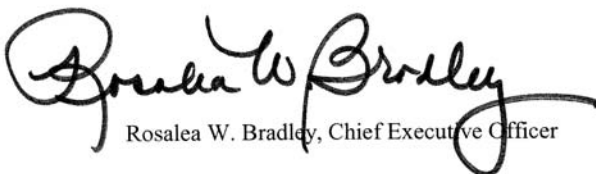
Management is responsible for the preparation, integrity and objectivity of this report, the *Financial Statements with Supplementary Information* of the Vermont Economic Development Authority ("VEDA" or the "Authority"). The report was prepared in accordance with accounting principles generally accepted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

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

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

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

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

  
Rosalea W. Bradley, Chief Executive Officer

  
David E. Carter, Chief Financial Officer



**KPMG LLP**  
P.O. Box 564  
Burlington, VT 05402

Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

## Independent Auditor's Report

To the Members of the Authority  
Vermont Economic Development Authority

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), a component unit of the State of Vermont, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our 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, 2010 and 2009, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in note 2, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as of July 1, 2008.

The Management's Discussion and Analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**KPMG LLP**

August 27, 2010

Vt. Reg. No. 92-0000241

Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
Required Supplementary Information (Unaudited)  
*June 30, 2010 and 2009*

Introduction

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

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

The Basic Financial Statements

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

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

The *Statement of Cash Flows* reports on the source of changes in cash and cash equivalents for the year. Activities that effect the change 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).

GASB pronouncements define VEDA as a special-purpose governmental entity that is engaged in business type activities. As such, VEDA has many characteristics of a for-profit enterprise. The business type activity with characteristics most similar to VEDA is that of a financial institution. For this reason, **Table 6** (page 9) presents amounts from the *Statement of Revenues, Expenses and Changes in Net Assets* in a format typical for financial institutions. In this format, interest on cash and investments is added to notes receivable interest and interest expense is subtracted to arrive at a subtotal caption “Net Interest Income.”

The changes in Net Interest Income are discussed in a special section of the MD&A and presented using analytic techniques found in the MD&A section of most financial institutions (see **Tables 9-12** beginning on page 11, and **Table 13** in the section titled *Asset-Liability Management* on page 13).

Interest Rate Subsidy Program: The Effect on Changes in Net Assets (Net Income or Loss)

The core of the Authority’s business, and the primary source of its total revenue, comes from notes 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 other overhead costs.

In an effort to foster economic development, the State has provided the Vermont Jobs Fund (VJF) and the Vermont Agricultural Credit Corporation (VACC), the Authority’s two largest programs with resources for an interest rate subsidy program (Note 12). The resources allow the VJF and VACC to offer loan rates below the level necessary to fully cover operating costs (a “subsidy”).

Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

**Table 1** shows the resources provided by the State since 2000. A total of \$11.6 million has been provided to the VJF and VACC to be used for interest rate subsidies on loans to commercial and agricultural businesses. In 2010, VEDA received \$2.95 million from the State for subsidies.

**Table 2** reports the effect on the change in operating (loss) or income for last three years after adjusting for the interest lost by subsidizing VJF and VACC loans.

The year to year change in revenues and expenses is discussed in detail under the heading *Revenues, Expenses and Changes in Net Assets: Comparison of 2008 to 2009 and 2009 to 2010* (page 9).

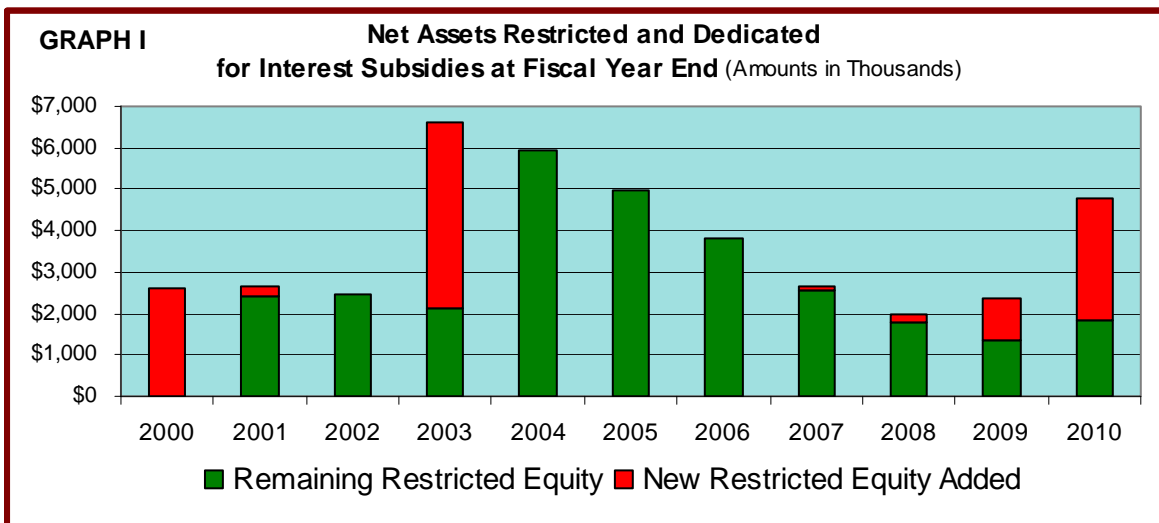
**Table 1: Resources For Subsidies**

Resources Provided By the State of Vermont and Dedicated for Interest Rate Subsidies (Amounts in Thousands)			
Yr/Fund	VJF	VACC	TOTAL
2000	\$ 2,666	\$ 0	\$ 2,666
2001	0	250	250
2003	3,050	1,450	4,500
2007	0	100	100
2008	0	165	165
2009	24	1,000	1,024
2010	2,006	950	2,956
<b>Total</b>	<b>\$ 7,746</b>	<b>\$ 3,915</b>	<b>\$ 11,661</b>

**Table 2: Change in Net Assets Adjusted For Subsidies**

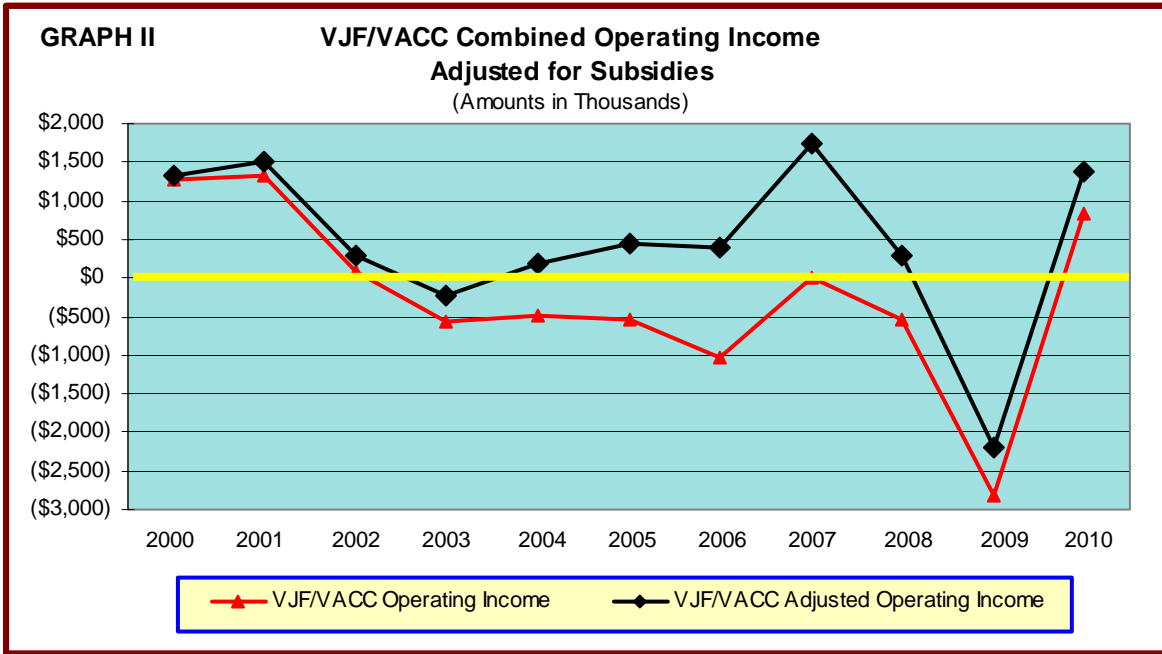
Amounts in thousands	2008	2009	2010
Revenues	\$ 7,613	\$ 4,842	\$ 7,142
Expenses	(8,411)	(8,401)	(6,273)
<b>Operating (Loss) Income</b>	<b>(798)</b>	<b>(3,559)</b>	<b>869</b>
Non-operating (expenses) revenues	(252)	1,584	5,888
<b>Change in Net Assets</b>	<b>\$ (1,050 )</b>	<b>\$ (1,975 )</b>	<b>\$ 6,757</b>
Adjustment for Subsidies	850	620	550
<b>Change in Net Assets Adjusted</b>	<b>\$ (200 )</b>	<b>\$ (1,355 )</b>	<b>\$ 7,307</b>

**GRAPH I** illustrates the amount added to net assets each year for interest subsidies (**red**) plus the amount of any net assets restricted for the subsidy program and unused from prior year (**green**). Combined this represents the total net assets restricted for subsidies. Each year a portion of the net assets restricted for the subsidy program is “used,” reflecting the amount of interest that would have been earned on the subsidized loans if borrowers were charged an interest rate sufficient to cover operating costs.

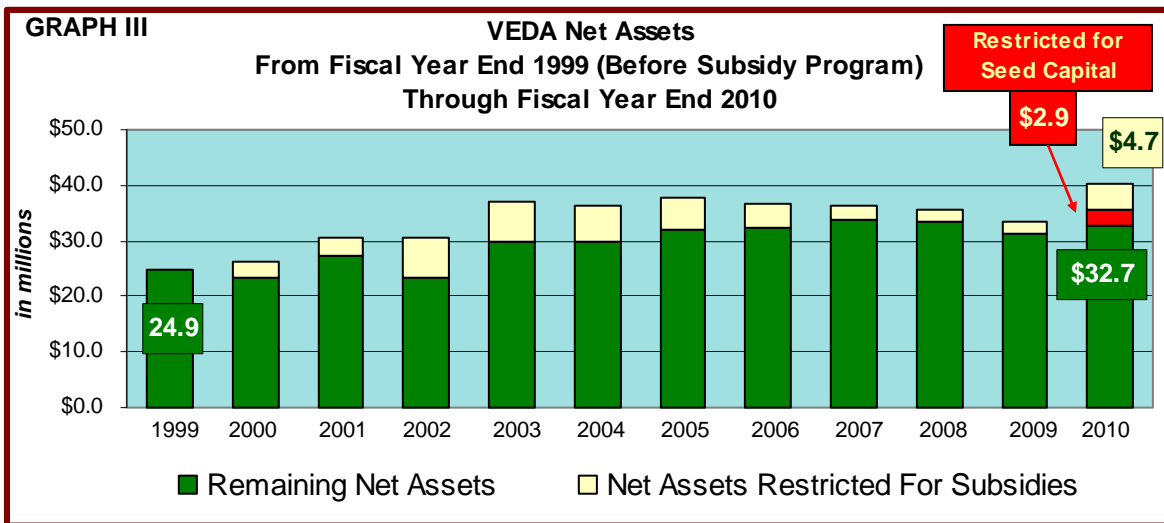


Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

**GRAPH II** shows operating income (or loss) of the combined VJF and VACC programs from 2000-2010. Operating income, *including* the adjustment for the subsidies (**black line**), is contrasted with operating income *excluding* the adjustment for subsidies (**red line**). The Graph shows that operating income would be positive in every year except 2003 and 2009 when adjusted for the subsidies.



**GRAPH III** illustrates the changes in total VEDA Net Assets since 1999 (the year before the subsidy program began) through 2010. At the end of 1999, VEDA net assets totaled \$24.9 million. At the end of 2010, VEDA net assets totaled \$40.3 million, of which \$4.7 million is restricted for the subsidy program, leaving \$32.7 million of non-subsidy related net assets [at June 30, 2010, \$2.9 million was restricted for investment in the Seed Capital Fund]. Therefore, since 1999, VEDA has effectively grown its net assets by \$7.8 million over the eleven years 2000-2010.





Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

*Balance Sheet: Comparison 2008 to 2009 and 2009 to 2010*

<b>Table 3: Balance Sheet</b>			<b>2008 to 2009</b>		<b>2009 to 2010</b>		
<i>Amounts in thousands</i>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Chg \$</b>	<b>Chg %</b>	<b>Chg \$</b>	<b>Chg %</b>
Cash and investments	\$ 26,420	\$ 25,747	\$ 27,475	\$ (673)	-3%	\$ 1,728	7%
Notes receivable	93,956	104,980	119,709	11,024	12%	14,729	14%
Allowance for losses	(2,169)	(3,317)	(3,834)	(1,148)	53%	(517)	16%
Capital Assets	4,316	4,866	4,852	550	13%	(14)	0%
Other Assets	1,191	1,131	1,464	(60)	-5%	333	29%
<b>Total Assets</b>	<b>\$ 123,714</b>	<b>\$ 133,407</b>	<b>\$ 149,666</b>	<b>\$ 9,693</b>	<b>8%</b>	<b>\$ 16,259</b>	<b>12%</b>
Commercial paper	\$ 65,000	\$ 82,800	\$ 84,500	\$ 17,800	27%	\$ 1,700	2%
Notes payable	21,502	14,228	22,150	(7,274)	-34%	7,922	56%
Other liabilities	1,724	2,866	2,746	1,142	66%	(120)	-4%
<b>Total Liabilities</b>	<b>88,226</b>	<b>99,894</b>	<b>109,396</b>	<b>11,668</b>	<b>13%</b>	<b>9,502</b>	<b>10%</b>
Restricted net assets	22,374	22,434	27,726	60	0%	5,292	24%
Invested in capital assets, net of debt	954	1,583	1,651	629	66%	68	4%
Unrestricted net assets	12,160	9,496	10,893	(2,664)	-22%	1,397	15%
<b>Total Net Assets</b>	<b>35,488</b>	<b>33,513</b>	<b>40,270</b>	<b>(1,975)</b>	<b>-6%</b>	<b>6,757</b>	<b>20%</b>
<b>Liabilities and Net Assets</b>	<b>\$ 123,714</b>	<b>\$ 133,407</b>	<b>\$ 149,666</b>	<b>\$ 9,693</b>	<b>8%</b>	<b>\$ 16,259</b>	<b>12%</b>

**Table 3** compares the Balance Sheets for VEDA for 2008-2010. **Total assets** increased \$16.3 million in 2010, which followed an increase in total assets of \$9.7 million in 2009. The primary reason for the increase in both 2010 and 2009 was the change in notes receivable. Cash disbursed to borrowers totaled \$33.6 million in 2010 compared with \$28.0 million in 2009 and compared to \$14.5 million disbursed in 2008. Principal payments received in 2010 were slightly higher at \$18.9 million than the \$16.2 million received in 2009, but both were lower compared to the \$20.8 million of payments received in 2008.

The increase in notes receivable of \$14.7 million in 2010 was funded primarily through the draws on notes payable and increases in net assets. VEDA increased its commercial paper outstanding by only \$1.7 million which coupled with the notes payable increase of \$7.9 million and the \$6.7 million increase in net assets funded the asset growth. In 2009, the increase was funded primarily from the increase in commercial paper of \$17.8 million which was also used to reduce notes payable.

**Allowance for losses** is discussed in detail under the heading *Credit Risk Management* (page 8).

**Capital assets** showed a slight decrease in 2010 as new capital assets did not exceed depreciation expense. In 2009, there was an increase of \$550 thousand as the final phase of the renovation of the Authority's headquarters building was completed.

**Other assets** increased \$333 thousand in 2010 due primarily to a receivable of \$167 thousand for the final draw on a note payable from USDA (Note 6) and to the acquisition of real estate through foreclosure of \$130 thousand (Note 4). In 2009, Other Assets decreased \$60 thousand due primarily the receipt of \$368 thousand in receivables from the State offset by \$315 thousand in "Deferred cash inflows on derivative" (Note 3) resulting from the Authority's adoption of GASB 53, *Accounting and Financial Reporting For Derivative Instruments* in 2010.

Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

**Other liabilities** decreased \$120 thousand due primarily an increase of \$87 thousand in “Fair Value Adjustment of Derivative” related to the interest rate swap (Note 3). In 2009, there was an increase of \$1.14 million due primarily to the receipt of an advance from the State of \$1.25 million to be used for interest rate subsidies over future periods (Note 12) and recorded under the caption *Other Liability – State of Vermont*.

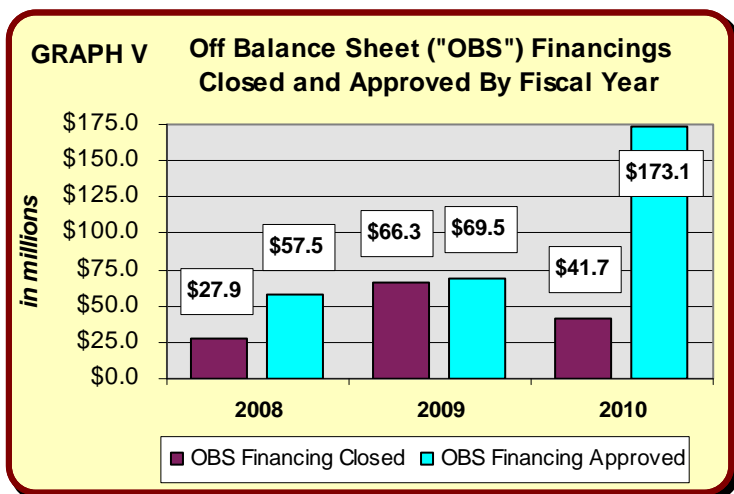
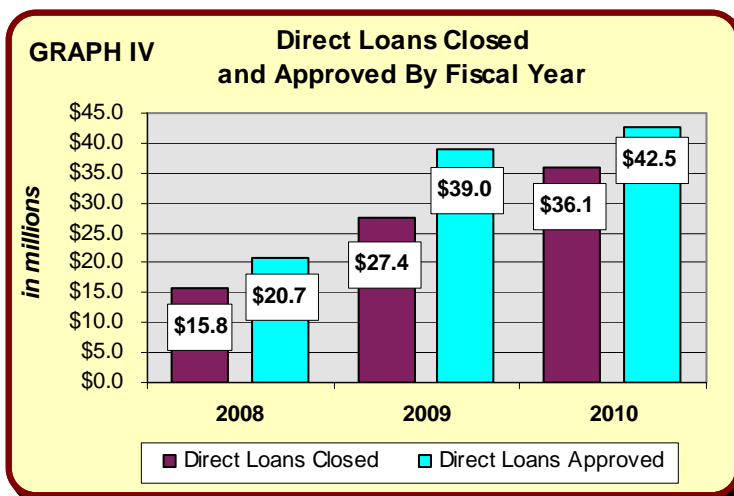
**Restricted net assets** increased by \$5.3 million as a result of \$2.95 million appropriated for interest subsidies (Note 12) and \$2.9 million appropriated for the Vermont Seed Capital Fund (Note 3), offset by subsidies used. **Unrestricted net assets** increased \$1.4 million in 2010 due to net operating income and subsidies used from restricted net assets. The change in net assets due to the results of operations is discussed in detail in the MD&A under the heading *Revenues, Expenses and Changes in Net Assets: Comparison of 2008 to 2009 and 2009 to 2010* (page 9).

Financing Program Activity

**GRAPH IV** shows that the Authority *closed* \$36.1 million in direct loans (notes receivable) in 2010 compared with \$27.4 million closed in 2009 and \$15.8 million closed in 2008. Direct loans *approved* in 2010 totaled \$42.5 million compared with \$39.0 million in 2009 and \$20.7 million in 2008.

The Authority has three programs for which the financing volume is not included in the balance sheet of VEDA. These programs are “off balance sheet” and include industrial development bonds, mortgage insurance contracts and loans made under the U.S. Small Business Administration 504 Loan program.

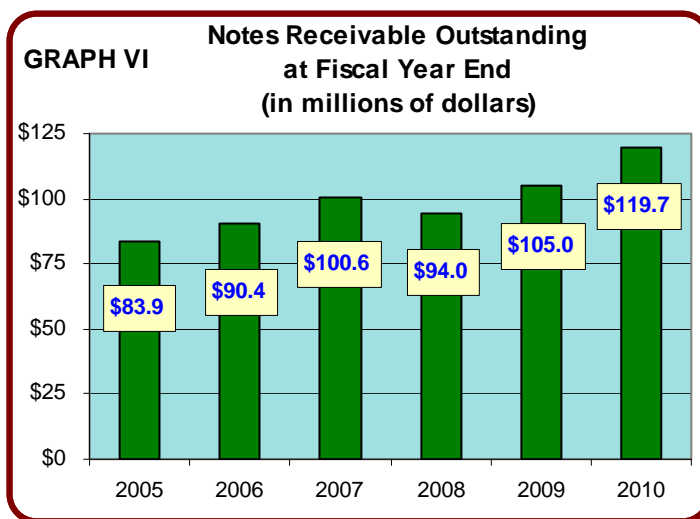
**GRAPH V** shows that in 2010, the Authority *closed* \$41.7 million in off balance sheet (“OBS”) financings compared to \$66.3 million in 2009 and \$27.9 million in 2008. Off balance sheet closings declined in 2010, but the total in 2009 was significantly greater than 2008. This was due primarily to the closing of \$59.1 million of industrial development bonds (IDBs) compared with closing only \$18.0 million of IDBs in 2008. Off balance sheet *approvals* in 2010 totaled \$173.1 million compared to \$69.5 million in 2009 and \$57.5 million in 2008. A substantial amount of approvals in 2010 can be attributed to \$135 million of expanded IDB capacity authorized under the Recovery Zone Facility Bond program contained in the American Recovery and Reinvestment Act.



Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

Notes Receivable Outstanding

**GRAPH VI** shows the outstanding notes receivable at year end for the period 2005 to 2010. In 2006 and 2007, notes receivable increased 8% and 11%, respectively. In 2008 outstanding notes receivable declined 6.5%. In 2009 and 2010, notes receivable increased 12% and 14%, respectively. The total growth in the five years 2006 through 2010 was 43%. The return to double digit growth in notes receivable in 2009-2010 demonstrated the high demand for VEDA financing, but it also creates a need for increased borrowing capacity to meet future loan demand. During 2010, VEDA increased borrowing capability in all of its direct lending programs.



Capital Adequacy

**Table 4** details the Authority's net assets, (equity or capital) as a percentage of total assets at June 30, 2008 through 2010 for the VJF, VACC and for VEDA combined. At June 30, 2010, VEDA's combined net assets totaled \$40.3 million, or 27% of total assets. This compares to \$33.5 million, or 25% at the end of 2009 and \$35.5 million, or 29% of total assets at the end of 2008.

The VJF and VACC, require strong capital levels to borrow funds in the private sector. The net asset to asset ratios for the VJF and VACC were 32% and 20%, respectively at June 30, 2010, 28% and 21%, respectively at June 30, 2009 and 31% and 24%, respectively at June 30, 2008.

**Table 4: Net Assets as a % of Total Assets**

As of June 30:	VJF	VACC	VEDA
<b>2010</b>	32%	20%	27%
<b>2009</b>	28%	21%	25%
<b>2008</b>	31%	24%	29%

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 losses (reserves) on specific notes receivable where a loss is determined to be probable. It also maintains general reserves that are estimated based on historical loss experience, economic conditions, industry concentration and expectation of future events that would adversely affect VEDA borrowers.

**Table 5** details the amount of specific and non-specific ("general") allowance for loan losses ("reserves") and the total reserves as a percentage of outstanding notes receivable balances at June 30, 2008 through 2010. Integral to VEDA's mission is the challenge of meeting its economic development objectives while utilizing prudent lending practices.

Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

**Table 5: Specific and General Allowance for Loan Losses ('Reserves') at June 30**

Total for Years Ending	Total Notes Receivable at June 30:	Specific Reserves at June 30:	General Reserves at June 30:	Total Reserves at June 30:	Reserves as a % of Total Notes Receivable		
					Specific	General	Total
2010	\$ 119,709,038	\$ 2,081,925	\$ 1,751,800	\$ 3,833,725	1.74%	1.46%	3.20%
2009	\$ 104,980,156	\$ 1,968,100	\$ 1,348,400	\$ 3,316,500	1.87%	1.28%	3.16%
2008	\$ 93,955,805	\$ 1,004,600	\$ 1,164,700	\$ 2,169,300	1.07%	1.24%	2.31%

The Authority's reserves at June 30, 2010 totaled \$3,833,725, or 3.20% of outstanding notes receivable. This compares to an allowance of \$3,316,500, or 3.16% of the outstanding notes receivable at the end of 2009 and to an allowance of \$2,169,300, or 2.31% of the outstanding notes receivable at the end of 2008. Changes in the allowance are due primarily to provisions for losses and loans that have been charged-off. Detail of the changes in the allowance in Note 4 of the financial statements.

*Revenues, Expenses and Changes in Net Assets: Comparison of 2008 to 2009 and 2009 to 2010*

**Table 6** shows the change in net assets (results of operations) in each of the past three years and details the amount and percent of change from 2008 to 2009 and from 2009 to 2010.

Table 6: Revenues, Expenses & Changes in Net Assets				2008 to 2009		2009 to 2010	
Amounts in thousands	2008	2009	2010	Chg \$	Chg %	Chg \$	Chg %
Cash and investment interest	\$ 1,199	\$ 816	\$ 643	\$ (383)	-32%	\$ (173)	-21%
Notes receivable interest	5,720	3,890	4,096	(1,830)	-32%	206	5%
less interest expense	4,226	2,126	1,137	(2,100)	-50%	(989)	-47%
<b>Net Interest Income</b>	<b>\$ 2,693</b>	<b>\$ 2,580</b>	<b>\$ 3,602</b>	<b>\$ (113)</b>	<b>-4%</b>	<b>\$ 1,022</b>	<b>40%</b>
Add other revenues	701	1,041	1,056	340	49%	15	1%
Net (decrease) increase in the fair value of investments	(7)	(906)	1,347	(899)	12843%	2,253	-249%
Less provision for loan losses	394	1,931	1,025	1,537	390%	(906)	-47%
Less provision for losses on insured loans	168	521	70	353	210%	(451)	-87%
<b>Less All Other Expenses:</b>							
Staff salaries and benefits	2,175	2,132	2,499	(43)	-2%	367	17%
Professional fees	654	714	696	60	9%	(18)	-3%
Office and administrative expenses & depreciation	794	976	846	182	23%	(130)	-13%
<b>Total All Other Expenses</b>	<b>3,623</b>	<b>3,822</b>	<b>4,041</b>	<b>199</b>	<b>5%</b>	<b>219</b>	<b>6%</b>
<b>Operating (Loss) Income</b>	<b>\$ (798)</b>	<b>\$ (3,559)</b>	<b>\$ 869</b>	<b>\$ (2,761)</b>	<b>346%</b>	<b>\$ 4,428</b>	<b>-124%</b>
Non-operating (expenses) revenues	(252)	1,584	5,888	1,836	-729%	4,304	272%
<b>Change in net assets</b>	<b>\$ (1,050)</b>	<b>\$ (1,975)</b>	<b>\$ 6,757</b>	<b>\$ (925)</b>	<b>88%</b>	<b>\$ 8,732</b>	<b>-442%</b>

In 2010, VEDA recorded an increase in net assets (i.e. net income) of \$6.76 million compared to a decrease in net assets (a net loss) of \$1.98 million in 2009 and compared to a net decrease of \$1.05 million in 2008. The 2010 net increase was primarily due to \$5.85 million in appropriations combined with positive net operating income. The 2009 net decrease was due primarily to investment and loan losses.

Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

The change in net interest income, the core of VEDA's operations, changes year to year based on changes in interest rates and also changes in the amount of cash and investments, notes receivable and debt outstanding. **These changes are discussed in detail in the section *Change in Net Interest Income*.**

**Other Revenue** is comprised primarily of fees paid by borrowers, rental income, and fees for servicing non-VEDA programs. Other Revenue in 2010 and 2009 was approximately the same; however both years represented a \$356 thousand and \$340 thousand increase over 2008, respectively. Commitment fees on Industrial Development Bonds ("IDB") closed in 2010 and 2009 accounted for a large part of the increase over 2008 as did the higher volume of new notes receivable closed in 2010 and 2009 compared with 2008 and the associated application and commitment fees. The Authority also received rental income of \$197 thousand in 2010 compared with \$171 thousand in 2009 \$57 in 2008.

**Table 7** details the **net change in the fair value of investments**, including unrealized and realized gains and losses. Fair values of financial assets can fluctuate significantly year to year due to changes in interest rates and the credit risk associated with investment issuers:

<b>Table 7: Change in Fair Value of Investments</b>				<b>2008 to 2009</b>		<b>2009 to 2010</b>	
<i>Amounts in thousands</i>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<i>Chg \$</i>	<i>Chg %</i>	<i>Chg \$</i>	<i>Chg %</i>
Unrealized (losses) gains	\$ (506)	\$ (511)	\$ 1,193	\$ (5)	1%	\$ 1,704	-333%
Realized gains (losses)	499	(395)	154	(894)	-179%	549	-139%
<b>Net Change in Fair Value</b>	<b>\$ (7)</b>	<b>\$ (906)</b>	<b>\$ 1,347</b>	<b>\$ (899)</b>	<b>12843%</b>	<b>\$ 2,253</b>	<b>-249%</b>

In 2009, the value of equity securities plummeted resulting in significant unrealized losses. Also in 2009, there was a permanent impairment (a realized loss) of \$249 thousand related to the downgrade of a single issuer of debt securities. In 2010, equity values rebounded resulting in the recovery of much of the value lost in 2008 and 2009.

**Provision for loan losses** declined \$906 thousand in 2010 to \$1.02 million compared with \$1.9 million in 2009 and \$394 thousand in 2008. Losses in 2010 were similar in most programs to 2009 losses with the exception of a single development corporation loan in the VJF that incurred a \$715 thousand loss in 2009.

**Provision for losses on insured loans** totaled \$70 thousand in 2010; all of it in the FAP program. In 2009 and 2008, most of the losses related to the larger Mortgage Insurance Program.

**All other expenses** increased \$219 thousand or 6% in 2010 and increased \$199 thousand, or 5% in 2009 compared to 2008. The components are discussed in more detail below:

**Staff salaries and benefits** increased by \$367 thousand, or 17% in 2010 compared with 2009. VEDA began adding staff midway through 2009 to assist with the significant growth in loan origination and servicing (3 loan officers, 1 loan closing officer and 1 administrative assistant). In 2009, staff salaries and benefits declined \$43 thousand, or -2% compared with 2008 due in part to reductions in compensation.

**Professional fees** decreased \$18 thousand in 2010, or -3% compared to an increase of \$60 thousand in 2009 or 9%. Significant legal and forensic accounting fees were incurred in 2009 related to the workout of a single mortgage insurance contract accounting in large part to the changes. In addition to auditing and legal expense, the Authority uses consultants for information technology, loan work outs, human resource management, collateral inspections and appraisals.

Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

**Office and administrative expenses and depreciation** decreased \$130 thousand, or -13% in 2010 compared to 2009 and increased \$182 thousand, or 23% in 2009 compared to 2008. The change in 2010 was due primarily to the collection of \$193 thousand of expenditures made for Borrower property taxes, insurance and collection expenses that had been classified as uncollectible receivables in prior years. If not for this recovery, the change in 2010 would have been \$63 thousand, or 6%. In 2009 the change was due to the payment of \$126 thousand of such Borrower expenses that were determined to be uncollectible and were charged-off; if not for this expense, the change in 2009 would have been \$56 thousand, or 7%. Depreciation increased by \$24 thousand and \$17 thousand in 2010 and 2009, respectively due primarily to depreciation building renovations. **Table 8** below details the changes in Office and Administrative Expense and Depreciation (including Occupancy) over the past three years:

<b>Table 8: Office and Administrative Expenses (including Occupancy expenses) and Depreciation</b>			<b>2008 to 2009</b>		<b>2009 to 2010</b>		
<i>Amounts in thousands</i>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Chg \$</b>	<b>Chg %</b>	<b>Chg \$</b>	<b>Chg %</b>
Office & Administrative	\$ 457	\$ 580	\$ 430	\$ 123	27%	\$ (150)	-26%
Occupancy	177	219	215	42	24%	(4)	-2%
Depreciation	160	177	201	17	11%	24	14%
<b>Office and Administrative Expenses and Depreciation</b>	<b>\$ 794</b>	<b>\$ 976</b>	<b>\$ 846</b>	<b>\$ 182</b>	<b>23%</b>	<b>\$ (130)</b>	<b>-13%</b>

*Changes in Net Interest Income: 2009 To 2010*

**Table 9** sets forth information regarding the total dollar amount of interest income earned on interest earning assets (excluding the change in fair value) and the resultant average yields; and the total dollar amount of interest expense on interest bearing liabilities and the resultant average cost. Information is based on average monthly balances.

**Table 9: Average Balance Sheet and Yield/Cost Comparison, 2009 to 2010**

*Dollar amounts in thousands (Table excludes Net Increase (Decrease) in Fair Value)*

<b>Interest Earning Assets and Interest Bearing Liabilities</b>	<b>2009</b>			<b>2010</b>		
	<b>Average Balance</b>	<b>Income or Expense</b>	<b>Yield or Cost</b>	<b>Average Balance</b>	<b>Income or Expense</b>	<b>Yield or Cost</b>
Interest earning assets and income:						
Cash and investments	\$ 27,186	\$ 816	3.00%	\$ 26,692	\$ 643	2.41%
Notes receivable, net of allowance	97,739	3,890	3.98%	109,800	4,096	3.73%
<b>Total interest earning assets</b>	<b>\$ 124,925</b>	<b>\$ 4,706</b>	<b>3.77%</b>	<b>\$ 136,492</b>	<b>\$ 4,739</b>	<b>3.47%</b>
Interest bearing liabilities and expense:						
Notes payable	\$ 20,109	\$ 477	2.37%	\$ 19,077	\$ 319	1.67%
Commercial paper	71,675	1,649	2.30%	84,075	818	0.97%
<b>Total interest bearing liabilities</b>	<b>\$ 91,784</b>	<b>\$ 2,126</b>	<b>2.32%</b>	<b>\$ 103,152</b>	<b>\$ 1,137</b>	<b>1.10%</b>
<b>Net Interest Income</b> (and as % of earning assets)		<b>\$ 2,580</b>	<b>2.07%</b>		<b>\$ 3,602</b>	<b>2.64%</b>

**Table 9** indicates the average yield on earning assets decreased from 3.77% in 2009 to 3.47% in 2010 and the average cost of interest bearing liabilities decreased from 2.32% in 2009 to 1.10% in 2010.



Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

**Table 10** sets forth information regarding changes in interest income and interest expense for 2010 compared to 2009. For each category of interest earning assets and interest bearing liabilities presented in **Table 9**, information is presented in **Table 10** with respect to: (1) Changes in rate (change in rate multiplied by prior year average balance); (2) Changes in volume (change in average balance multiplied by prior year rate); and (3) Changes in rate/volume (change in rate multiplied by change in average balance).

**Table 10: Change in Net Interest Income From 2009 to 2010**

*Dollar amounts in thousands (Table excludes Net Increase (Decrease) in Fair Value)*

For Year Ended June 30, 2010 and 2009 Increases (Decreases) Due To Changes In:	Rate	Volume	Rate/ Volume	Total
Income on interest earning assets:				
Cash and investments	\$ (161)	\$ (15)	\$ 3	\$ (173)
Notes receivable, net of allowance	(244)	480	(30)	206
<b>Total income on interest earning assets</b>	<b>(405)</b>	<b>465</b>	<b>(27)</b>	<b>33</b>
Expense on interest bearing liabilities:				
Notes payable	(141)	(24)	7	(158)
Commercial paper	(951)	285	(165)	(831)
<b>Total expense on interest bearing liabilities</b>	<b>(1,092)</b>	<b>261</b>	<b>(158)</b>	<b>(989)</b>
<b>Changes in net interest income</b>	<b>\$ 687</b>	<b>\$ 204</b>	<b>\$ 131</b>	<b>\$ 1,022</b>

**Table 10** shows that *Total Income on Interest Earning Assets* increased by \$33 thousand in 2010 compared with 2009 and of that, \$465 thousand of the change was due to an increase in volume offset by (\$405) thousand due to a decrease in rates. *Total Expense on Interest Bearing Liabilities* decreased by \$989 thousand in 2010 with (\$1.092) million due to lower rates offset by \$261 thousand due to greater volume. The net of the change in earning assets and the change in interest bearing liabilities resulted in an increase in *Net Interest Income* of \$1.022 million in 2010 compared with 2009. **Table 10** calculates the amount of total change in Net Interest Income that is attributable to the favorable change in rates of \$687 thousand and the \$204 thousand due to the increase in volume (i.e. average balances).

**Table 11** sets forth the same information as **Table 9**, but for the 2009 and 2008.

**Table 11: Average Balance Sheet and Yield/Cost Comparison, 2008 to 2009**

*Dollar amounts in thousands (Table excludes Net Increase (Decrease) in Fair Value)*

Interest Earning Assets and Interest Bearing Liabilities	2008			2009		
	Average Balance	Income or Expense	Yield or Cost	Average Balance	Income or Expense	Yield or Cost
Interest earning assets and income:						
Cash and investments	\$ 31,889	\$ 1,199	3.76%	\$ 27,186	\$ 816	3.00%
Notes receivable, net of allowance	96,821	5,720	5.91%	97,739	3,890	3.98%
<b>Total interest earning assets</b>	<b>\$ 128,710</b>	<b>\$ 6,919</b>	<b>5.38%</b>	<b>\$ 124,925</b>	<b>\$ 4,706</b>	<b>3.77%</b>
Interest bearing liabilities and expense:						
Notes payable	\$ 22,094	\$ 838	3.79%	\$ 20,109	\$ 477	2.37%
Commercial paper	70,588	3,388	4.80%	71,675	1,649	2.30%
<b>Total interest bearing liabilities</b>	<b>\$ 92,682</b>	<b>\$ 4,226</b>	<b>4.56%</b>	<b>\$ 91,784</b>	<b>\$ 2,126</b>	<b>2.32%</b>
<b>Net Interest Income</b> (and as % of earning assets)	<b>\$ 2,693</b>		<b>2.09%</b>	<b>\$ 2,580</b>		<b>2.07%</b>

Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

**Table 12** presents the same information regarding **Table 11** as **Table 10** presented relative to **Table 9** for 2009 with 2008.

**Table 12: Change in Net Interest Income From 2008 to 2009**

*Dollar amounts in thousands (Table excludes Net Increase (Decrease) in Fair Value)*

For Year Ended June 30, 2009 and 2008 Increases (Decreases) Due To Changes In:	Rate	Volume	Rate/ Volume	Total
Income on interest earning assets:				
Cash and investments	\$ (242)	\$ (177)	\$ 36	\$ (383)
Notes receivable, net of allowance	(1,866)	54	(18)	(1,830)
<b>Total income on interest earning assets</b>	<b>(2,108)</b>	<b>(123)</b>	<b>18</b>	<b>(2,213)</b>
Expense on interest bearing liabilities:				
Notes payable	(314)	(75)	28	(361)
Commercial paper	(1,764)	52	(27)	(1,739)
<b>Total expense on interest bearing liabilities</b>	<b>(2,078)</b>	<b>(23)</b>	<b>1</b>	<b>(2,100)</b>
<b>Changes in net interest income</b>	<b>\$ (30)</b>	<b>\$ (100)</b>	<b>\$ 17</b>	<b>\$ (113)</b>

*Asset-Liability Management*

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

**Table 13** is a "Gap Analysis," and shows the "gap" or the mismatching of assets, liabilities and net assets, based on the earlier of the repricing date for variable rate instruments or maturity date:

Repricing Horizon at June 30, 2010	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	\$ 2,180	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,180
Investments	538	1,615	7,990	12,253	2,900	25,296
Notes receivable	104,054	622	8,711	2,488	0	115,875
Other	0	0	0	0	6,669	6,669
<b>Total assets</b>	<b>\$ 106,772</b>	<b>\$ 2,237</b>	<b>\$ 16,701</b>	<b>\$ 14,741</b>	<b>\$ 9,569</b>	<b>\$ 150,020</b>
Debt	\$ 98,808	\$ 175	\$ 1,158	\$ 6,508	\$ 1	\$ 106,650
Other liabilities and net assets	363	1,088	0	0	41,919	43,370
<b>Total liabilities &amp; net assets</b>	<b>\$ 99,171</b>	<b>\$ 1,263</b>	<b>\$ 1,158</b>	<b>\$ 6,508</b>	<b>\$ 41,920</b>	<b>\$ 150,020</b>
<b>Repricing "Gap"</b>	<b>\$ 7,601</b>	<b>\$ 974</b>	<b>\$ 15,543</b>	<b>\$ 8,233</b>	<b>\$ (32,351)</b>	<b>\$ 0</b>

The Authority's "repricing gap" indicates that \$7.6 million more assets mature or have interest rates that reset within the next three months than debt or other liabilities and net assets. When more assets reprice than liabilities in a period of rising interest rates, net interest income would increase; conversely, when interest rates decline, net interest income would decline.

**Table 13** illustrates the degree to which Management has succeeded in matching the amount of debt repricing in any period with the amount of notes receivable repricing in the same period. **Table 13** indicates that the \$98.8 million of debt repricing in the next three months is used to fund the \$104.0 million of notes receivable that are also repricing in the next three months.



Vermont Economic Development Authority  
*Management's Discussion and Analysis*  
 Required Supplementary Information (Unaudited)  
 June 30, 2010 and 2009

Statement of Cash Flows

The cash flow statement 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 notes 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* the purchase and financing of capital assets and related repayments.

<b>Table 14: Statement of Cash Flows</b>				<b>2008 to 2009</b>		<b>2009 to 2010</b>	
<i>Amounts in thousands</i>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Chg \$</b>	<b>Chg %</b>	<b>Chg \$</b>	<b>Chg %</b>
<i>Cash flows provided by or (used for) various activities are presented as positive or (negative) numbers, respectively:</i>							
Principal Payments Received	20,779	16,185	18,902	(4,594)	-22%	2,717	17%
Principal Disbursed on Loans	(14,515)	(27,994)	(33,641)	(13,479)	93%	(5,647)	20%
All Other Operating Activities	2,947	1,355	989	(1,592)	-54%	(366)	-27%
<b>Operating Activities</b>	<b>\$ 9,211</b>	<b>\$ (10,454)</b>	<b>\$ (13,750)</b>	<b>\$ (19,665)</b>	<b>-213%</b>	<b>\$ (3,296)</b>	<b>32%</b>
Non-Capital Financing Activities	(16,034)	10,807	13,879	26,841	-167%	3,072	28%
Investing Activities	1,507	(66)	(683)	(1,573)	-104%	(617)	935%
Capital Investment Activities	(187)	(949)	(410)	(762)	407%	539	-57%
<b>Net decrease in cash and cash equivalents</b>	<b>\$ (5,503)</b>	<b>\$ (662)</b>	<b>\$ (964)</b>	<b>\$ 4,841</b>	<b>-88%</b>	<b>\$ (302)</b>	<b>46%</b>

**Table 14** illustrates how in 2009 and 2010, the disbursement on loans was greater than payments received (*Operating Activities*) which resulted in a need to increase the amount of cash provided by borrowings (*Non-Capital Financing Activities*). In 2008, notes receivable payments received exceeded loan disbursements and the excess cash was used to reduce borrowings.

Final Comments

This was another challenging year for the economy. The State and the nation attempted to extricate itself from the recession that began in the latter half of 2008. VEDA plays a vital role in stimulating economic activity and creating jobs, so 2010 was a year of considerable activity for VEDA. It was also a year where the Authority received significant funds from the State to support VEDA programs. Low borrowing rates helped VEDA provide low rates to its borrowers with less of adverse impact on its net interest margin.

The Authority received \$2.95 million in appropriations for the interest subsidy program and \$2.9 million to invest in a newly formed seed capital fund. These funds are in addition to the \$2.25 million received for interest subsidies in 2009. These funds allow VEDA to continue the programs that have proven successful in stimulating economic activity and creating jobs. Loan volume surged in 2010 in even greater amounts than they did 2009. VEDA programs continue to be used to assist business by lowering financing costs, expanding access to capital and by incenting financial institutions to lend more by mitigating some of their credit risk. VEDA continues to modify programs and improve the delivery of its financing products to the businesses and farmers of Vermont.

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](http://www.veda.org)

Vermont Economic Development Authority  
(A Component Unit of the State of Vermont)  
Balance Sheet as of June 30, 2010

<u>Assets</u>	Vermont Jobs Fund	Vermont Agricultural Credit Corporation	Non-Major Funds Combined	VEDA Combined Total
<b>Current Assets:</b>				
<b>Cash and cash equivalents:</b>				
Unrestricted	\$ 1,018,744	\$ 64,244	\$ 821,879	\$ 1,904,867
Restricted	<u>62,898</u>	<u>0</u>	<u>211,951</u>	<u>274,849</u>
Total cash and cash equivalents	1,081,642	64,244	1,033,830	2,179,716
Notes receivable	5,200,125	3,985,178	1,244,530	10,429,833
Accrued interest receivable	83,572	60,769	18,851	163,192
Other assets	<u>599,859</u>	<u>129,693</u>	<u>168,754</u>	<u>898,306</u>
Total current assets	6,965,198	4,239,884	2,465,965	13,671,047
<b>Investments</b>				
Unrestricted	2,000,000	395,559	0	2,395,559
Restricted	<u>22,900,000</u>	<u>0</u>	<u>0</u>	<u>22,900,000</u>
Total investments	24,900,000	395,559	0	25,295,559
Notes receivable, less current portion	54,638,056	46,997,172	7,643,977	109,279,205
Less allowance for loan losses	<u>2,359,425</u>	<u>786,400</u>	<u>687,900</u>	<u>3,833,725</u>
Notes receivable, less current portion, net of allowance	52,278,631	46,210,772	6,956,077	105,445,480
Deferred cash inflows from derivative instrument	401,879	0	0	401,879
Capital assets, net of accumulated depreciation	<u>4,852,331</u>	<u>0</u>	<u>0</u>	<u>4,852,331</u>
<b>Total assets</b>	<b>\$ 89,398,039</b>	<b>\$ 50,846,215</b>	<b>\$ 9,422,042</b>	<b>\$ 149,666,296</b>
<b><u>Liabilities</u></b>				
<b>Current Liabilities:</b>				
Commercial paper	\$ 84,500,000	\$ 0	\$ 0	\$ 84,500,000
Interfund notes (receivable) payable	(29,025,000)	26,200,000	2,825,000	0
Notes payable	86,262	14,250,000	146,899	14,483,161
Escrow and reserve accounts	11,184	0	175,205	186,389
Accounts payable and accrued expenses	480,314	85,024	1,286	566,624
Interfund accounts (receivable) payable	(105,533)	83,859	21,674	0
Due to State of Vermont	0	0	35,827	35,827
Other liability - State of Vermont	1,450,206	0	0	1,450,206
Accrued interest payable	<u>61,770</u>	<u>25,835</u>	<u>17,307</u>	<u>104,912</u>
Total current liabilities	57,459,203	40,644,718	3,223,198	101,327,119
Notes payable, less current portion	3,114,615	0	4,552,236	7,666,851
Fair value of derivative instrument	<u>401,879</u>	<u>0</u>	<u>0</u>	<u>401,879</u>
<b>Total liabilities</b>	<b>\$ 60,975,697</b>	<b>\$ 40,644,718</b>	<b>\$ 7,775,434</b>	<b>\$ 109,395,849</b>
<b><u>Net Assets</u></b>				
<b>Restricted</b>				
For commercial paper collateral	20,051,714	0	0	20,051,714
For Vermont seed capital fund	2,900,000	0	0	2,900,000
For interest rate subsidies	<u>2,993,923</u>	<u>1,780,852</u>	<u>0</u>	<u>4,774,775</u>
Total restricted net assets	25,945,637	1,780,852	0	27,726,489
Invested in capital assets, net of debt	1,651,454	0	0	1,651,454
Unrestricted net assets	<u>825,251</u>	<u>8,420,645</u>	<u>1,646,608</u>	<u>10,892,504</u>
<b>Total net assets</b>	<b>\$ 28,422,342</b>	<b>\$ 10,201,497</b>	<b>\$ 1,646,608</b>	<b>\$ 40,270,447</b>
<b>Total liabilities and net assets</b>	<b>\$ 89,398,039</b>	<b>\$ 50,846,215</b>	<b>\$ 9,422,042</b>	<b>\$ 149,666,296</b>

See accompanying notes to the basic financial statements

Vermont Economic Development Authority  
(A Component Unit of the State of Vermont)  
Balance Sheet as of June 30, 2009

<u>Assets</u>	Vermont Jobs Fund	Vermont Agricultural Credit Corporation	Non-Major Funds Combined	VEDA Combined Total
<b>Current Assets:</b>				
<b>Cash and cash equivalents:</b>				
Unrestricted	\$ 1,508,918	\$ 972,616	\$ 348,382	\$ 2,829,916
Restricted	81,234	0	232,860	314,094
<b>Total cash and cash equivalents</b>	<b>1,590,152</b>	<b>972,616</b>	<b>581,242</b>	<b>3,144,010</b>
Notes receivable	5,905,659	3,418,789	934,386	10,258,834
Accrued interest receivable	156,682	67,342	17,381	241,405
Other assets	469,657	96,727	6,829	573,213
<b>Total current assets</b>	<b>8,122,150</b>	<b>4,555,474</b>	<b>1,539,838</b>	<b>14,217,462</b>
<b>Investments</b>				
Unrestricted	2,243,025	360,086	0	2,603,111
Restricted	20,000,000	0	0	20,000,000
<b>Total investments</b>	<b>22,243,025</b>	<b>360,086</b>	<b>0</b>	<b>22,603,111</b>
Notes receivable, less current portion	49,649,480	39,616,876	5,454,966	94,721,322
Less allowance for loan losses	1,916,900	756,600	643,000	3,316,500
Notes receivable, less current portion, net of allowance	47,732,580	38,860,276	4,811,966	91,404,822
Deferred cash inflows from derivative instrument	314,895	0	0	314,895
Capital assets, net of accumulated depreciation	4,866,318	0	0	4,866,318
<b>Total assets</b>	<b>\$ 83,278,968</b>	<b>\$ 43,775,836</b>	<b>\$ 6,351,804</b>	<b>\$ 133,406,608</b>
<b><u>Liabilities</u></b>				
<b>Current Liabilities:</b>				
Commercial paper	\$ 82,800,000	\$ 0	\$ 0	\$ 82,800,000
Interfund notes (receivable) payable	(28,200,000)	26,700,000	1,500,000	0
Notes payable	89,835	7,600,000	145,446	7,835,281
Escrow and reserve accounts	13,206	0	170,580	183,786
Accounts payable and accrued expenses	343,833	262,858	19,654	626,345
Interfund accounts (receivable) payable	(184,190)	147,974	36,216	0
Due to State of Vermont	673	0	67,684	68,357
Other liability - State of Vermont	1,571,940	0	0	1,571,940
Accrued interest payable	77,580	10,058	12,916	100,554
<b>Total current liabilities</b>	<b>56,512,877</b>	<b>34,720,890</b>	<b>1,952,496</b>	<b>93,186,263</b>
Notes payable, less current portion	3,193,688	0	3,199,134	6,392,822
Fair value of derivative instrument	314,895	0	0	314,895
<b>Total liabilities</b>	<b>\$ 60,021,460</b>	<b>\$ 34,720,890</b>	<b>\$ 5,151,630</b>	<b>\$ 99,893,980</b>
<b><u>Net Assets</u></b>				
<b>Restricted</b>				
For commercial paper collateral	20,068,029	0	0	20,068,029
For interest rate subsidies	1,377,020	988,600	0	2,365,620
<b>Total restricted net assets</b>	<b>21,445,049</b>	<b>988,600</b>	<b>0</b>	<b>22,433,649</b>
Invested in capital assets, net of debt	1,582,795	0	0	1,582,795
Unrestricted net assets	229,664	8,066,346	1,200,174	9,496,184
<b>Total net assets</b>	<b>\$ 23,257,508</b>	<b>\$ 9,054,946</b>	<b>\$ 1,200,174</b>	<b>\$ 33,512,628</b>
<b>Total liabilities and net assets</b>	<b>\$ 83,278,968</b>	<b>\$ 43,775,836</b>	<b>\$ 6,351,804</b>	<b>\$ 133,406,608</b>

See accompanying notes to the basic financial statements

Vermont Economic Development Authority  
(A Component Unit of the State of Vermont)  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2010

	Vermont Jobs Fund	Vermont Agricultural Credit Corporation	Non-Major Funds Combined	VEDA Combined Total
<b>Operating Revenues:</b>				
Cash and investment interest	\$ 638,764	\$ 2,535	\$ 2,014	\$ 643,313
Net increase in fair value of investments	1,346,631	0	0	1,346,631
Notes receivable interest	1,759,009	1,961,206	375,893	4,096,108
Other revenues	<u>611,708</u>	<u>98,957</u>	<u>345,734</u>	<u>1,056,399</u>
<b>Total operating revenues</b>	<b><u>4,356,112</u></b>	<b><u>2,062,698</u></b>	<b><u>723,641</u></b>	<b><u>7,142,451</u></b>
<b>Operating Expenses:</b>				
Interest on commercial paper and notes payable	937,789	161,167	37,837	1,136,793
Interfund interest (income) expense	(358,526)	330,190	28,336	0
Provision for loan losses	648,348	156,091	220,346	1,024,785
Provision for losses on insured loans	0	0	69,670	69,670
Staff salaries, expenses, and benefits	1,986,796	512,557	0	2,499,353
Professional fees	446,730	204,558	44,892	696,180
Office and administrative expenses	644,788	0	0	644,788
Interfund expense allocation	(791,061)	501,584	289,477	0
Depreciation of capital assets	<u>201,414</u>	<u>0</u>	<u>0</u>	<u>201,414</u>
<b>Total operating expenses</b>	<b><u>3,716,278</u></b>	<b><u>1,866,147</u></b>	<b><u>690,558</u></b>	<b><u>6,272,983</u></b>
<b>Operating income</b>	<b>639,834</b>	<b>196,551</b>	<b>33,083</b>	<b>869,468</b>
<b>Non-operating Revenue (Expense):</b>				
Appropriation from State of Vermont	4,900,000	950,000	0	5,850,000
Non-operating revenue from State of Vermont	0	0	38,351	38,351
Interfund non-operating (expense) revenue	<u>(375,000)</u>	<u>0</u>	<u>375,000</u>	<u>0</u>
<b>Total non-operating revenues</b>	<b><u>4,525,000</u></b>	<b><u>950,000</u></b>	<b><u>413,351</u></b>	<b><u>5,888,351</u></b>
<b>Increase in net assets</b>	<b>5,164,834</b>	<b>1,146,551</b>	<b>446,434</b>	<b>6,757,819</b>
Net assets at beginning of year	<u>23,257,508</u>	<u>9,054,946</u>	<u>1,200,174</u>	<u>33,512,628</u>
<b>Net assets at end of year</b>	<b><u>\$ 28,422,342</u></b>	<b><u>\$ 10,201,497</u></b>	<b><u>\$ 1,646,608</u></b>	<b><u>\$ 40,270,447</u></b>

See accompanying notes to the basic financial statements

Vermont Economic Development Authority  
(A Component Unit of the State of Vermont)  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2009

	Vermont Jobs Fund	Vermont Agricultural Credit Corporation	Non-Major Funds Combined	VEDA Combined Total
<b>Operating Revenues:</b>				
Cash and investment interest	\$ 800,167	\$ 6,884	\$ 8,514	\$ 815,565
Net decrease in fair value of investments	(905,599)	0	0	(905,599)
Notes receivable interest	1,900,160	1,682,797	307,509	3,890,466
Other revenues	<u>600,357</u>	<u>116,494</u>	<u>324,365</u>	<u>1,041,216</u>
Total operating revenues	<u>2,395,085</u>	<u>1,806,175</u>	<u>640,388</u>	<u>4,841,648</u>
<b>Operating Expenses:</b>				
Interest on commercial paper and notes payable	1,860,831	233,123	32,307	2,126,261
Interfund interest (income) expense	(494,610)	465,097	29,513	0
Provision for loan losses	1,411,811	181,618	337,994	1,931,423
Provision for losses on insured loans	0	0	520,682	520,682
Staff salaries, expenses, and benefits	1,715,031	372,353	45,000	2,132,384
Professional fees	359,670	194,658	159,727	714,055
Office and administrative expenses	799,025	0	0	799,025
Interfund expense allocation	(722,697)	472,947	249,750	0
Depreciation on capital assets	<u>176,771</u>	<u>0</u>	<u>0</u>	<u>176,771</u>
Total operating expenses	<u>5,105,832</u>	<u>1,919,796</u>	<u>1,374,973</u>	<u>8,400,601</u>
<b>Operating loss</b>	<b>(2,710,747)</b>	<b>(113,621)</b>	<b>(734,585)</b>	<b>(3,558,953)</b>
<b>Non-Operating Revenue:</b>				
Appropriation from State of Vermont	0	1,000,000	0	1,000,000
Non-operating revenue from State of Vermont	<u>0</u>	<u>0</u>	<u>583,794</u>	<u>583,794</u>
Total non-operating revenue	<u>0</u>	<u>1,000,000</u>	<u>583,794</u>	<u>1,583,794</u>
<b>Net (decrease) increase in net assets</b>	<b>(2,710,747)</b>	<b>886,379</b>	<b>(150,791)</b>	<b>(1,975,159)</b>
Net assets at beginning of year	<u>25,968,255</u>	<u>8,168,567</u>	<u>1,350,965</u>	<u>35,487,787</u>
Net assets at end of year	<u>\$ 23,257,508</u>	<u>\$ 9,054,946</u>	<u>\$ 1,200,174</u>	<u>\$ 33,512,628</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, 2010**

	Vermont Jobs Fund	Vermont Agricultural Credit Corporation	Non-Major Funds Combined	VEDA Combined Total
<b>Cash flows from operating activities:</b>				
Interest received on notes receivable	\$ 1,812,591	\$ 1,967,779	\$ 374,434	\$ 4,154,804
Other revenues received	611,708	98,957	345,734	1,056,399
Operating expenses paid other than interest	(2,202,317)	(1,493,614)	(529,204)	(4,225,135)
Receipts from participating banks, net	0	0	4,614	4,614
Rental deposits returned to lessees	(2,022)	0	0	(2,022)
Principal received on notes receivable	7,124,936	10,406,321	1,370,419	18,901,676
Principal disbursed on notes receivable	<u>(11,465,175)</u>	<u>(17,981,993)</u>	<u>(4,193,646)</u>	<u>(33,640,814)</u>
Net cash used for operating activities	<u>(4,120,279)</u>	<u>(7,002,550)</u>	<u>(2,627,649)</u>	<u>(13,750,478)</u>
<b>Cash flows from non-capital financing activities:</b>				
Interest paid on commercial paper and notes payable	(814,049)	(145,390)	(33,446)	(992,885)
Interest received (paid) on interfund notes payable	358,526	(330,190)	(28,336)	0
Appropriation received from State of Vermont	4,900,000	950,000	0	5,850,000
Interfund non-operating (expense paid) income received	(375,000)	0	375,000	0
Interfund transfer of notes receivable for cash	(148,626)	0	148,626	0
Repurchased sold notes receivable	0	(497,304)	0	(497,304)
Program funds disbursed to State of Vermont	(673)	0	0	(673)
Non-operating income from the State of Vermont	0	0	6,494	6,494
Grants disbursed on behalf of the State	(121,734)	0	0	(121,734)
Proceeds from issuance of commercial paper	659,400,000	0	0	659,400,000
Payments on maturing commercial paper	(657,700,000)	0	0	(657,700,000)
Proceeds (disbursed) received on interfund notes payable	(4,700,000)	3,000,000	1,700,000	0
Payments received (paid) on interfund notes payable	3,875,000	(3,500,000)	(375,000)	0
Proceeds from notes payable	0	6,650,000	1,500,000	8,150,000
Payments on notes payable	0	0	(145,445)	(145,445)
Payments to banks for losses on insured loans, net	<u>0</u>	<u>0</u>	<u>(69,670)</u>	<u>(69,670)</u>
Net cash provided by non-capital financing activities	<u>4,673,444</u>	<u>6,127,116</u>	<u>3,078,223</u>	<u>13,878,783</u>
<b>Cash flows from investing activities:</b>				
Redemption or sale of investments	30,816,346	0	0	30,816,346
Purchase of investments	(32,126,690)	(35,473)	0	(32,162,163)
Income received on cash and investments	<u>658,292</u>	<u>2,535</u>	<u>2,014</u>	<u>662,841</u>
Net cash (used for) provided by investing activities	<u>(652,052)</u>	<u>(32,938)</u>	<u>2,014</u>	<u>(682,976)</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(187,427)	0	0	(187,427)
Payments on mortgage note payable	(82,646)	0	0	(82,646)
Interest paid on mortgage note payable	<u>(139,550)</u>	<u>0</u>	<u>0</u>	<u>(139,550)</u>
Net cash used for capital and related financing activities	<u>(409,623)</u>	<u>0</u>	<u>0</u>	<u>(409,623)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(508,510)</b>	<b>(908,372)</b>	<b>452,588</b>	<b>(964,294)</b>
Cash and cash equivalents at beginning of year	<u>1,590,152</u>	<u>972,616</u>	<u>581,242</u>	<u>3,144,010</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>1,081,642</u></b>	<b>\$ <u>64,244</u></b>	<b>\$ <u>1,033,830</u></b>	<b>\$ <u>2,179,716</u></b>

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, 2010

	Vermont Jobs Fund	Vermont Agricultural Credit Corporation	Non-Major Funds Combined	VEDA Combined Total
Reconciliation of Operating Income to Net Cash Used For Operating Activities:				
Operating income	\$ 639,834	\$ 196,551	\$ 33,083	\$ 869,468
Adjustments to reconcile operating income to net cash used for operating activities:				
Interest income on investment activities	(638,764)	(2,535)	(2,014)	(643,313)
Net increase in fair value of investments	(1,346,631)	0	0	(1,346,631)
Interest expense for commercial paper and notes payable	937,789	161,167	37,837	1,136,793
Interest (received) paid for interfund financing activities	(358,526)	330,190	28,336	0
Provision for loan losses	648,348	156,091	220,346	1,024,785
Provision for losses on insured loans	0	0	69,670	69,670
Interfund transfer of notes receivable	148,626	0	(148,626)	0
Repurchase sold note receivable	0	497,304		497,304
Depreciation expense	201,414	0	0	201,414
Changes in assets and liabilities:				
Notes receivable	(4,283,042)	(7,946,685)	(2,499,155)	(14,728,882)
Allowance for loan losses	(205,823)	(126,291)	(175,446)	(507,560)
Accrued interest on notes receivable	53,582	6,573	(1,470)	58,685
Other assets	(130,202)	(32,966)	(161,925)	(325,093)
Escrow and reserve accounts	(2,022)	0	4,625	2,603
Accounts payable and accrued expenses	136,481	(177,834)	(18,368)	(59,721)
Interfund accounts (receivable) payable	78,657	(64,115)	(14,542)	0
Net cash used for operating activities	<u>\$ (4,120,279)</u>	<u>\$ (7,002,550)</u>	<u>\$ (2,627,649)</u>	<u>\$ (13,750,478)</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, 2009**

	Vermont Jobs Fund	Vermont Agricultural Credit Corporation	Non-Major Funds Combined	VEDA Combined Total
<b>Cash flows from operating activities:</b>				
Interest received on notes receivable	\$ 1,933,998	\$ 1,661,161	\$ 303,427	\$ 3,898,586
Other revenues received	600,357	116,494	324,365	1,041,216
Operating expenses paid other than interest	(2,317,642)	(805,185)	(478,950)	(3,601,777)
Receipts from participating banks, net	0	0	6,786	6,786
Rental deposits received from lessees	10,000	0	0	10,000
Principal received on notes receivable	8,384,353	7,041,657	759,324	16,185,334
Principal disbursed on notes receivable	<u>(9,004,462)</u>	<u>(16,549,888)</u>	<u>(2,439,558)</u>	<u>(27,993,908)</u>
Net cash used for operating activities	<u>(393,396)</u>	<u>(8,535,761)</u>	<u>(1,524,606)</u>	<u>(10,453,763)</u>
<b>Cash flows from non-capital financing activities:</b>				
Interest paid on commercial paper and notes payable	(1,771,523)	(251,253)	(32,954)	(2,055,730)
Interest received (paid) on interfund notes payable	494,610	(465,097)	(29,513)	0
Appropriation received from State of Vermont	0	1,000,000	0	1,000,000
Program funds received from State of Vermont	1,250,673	0	0	1,250,673
Non-operating income from the State of Vermont	0	0	988,369	988,369
Grants disbursed on behalf of the State	(140,634)	0	0	(140,634)
Proceeds from issuance of commercial paper	424,000,000	0	0	424,000,000
Payments on maturing commercial paper	(406,200,000)	0	0	(406,200,000)
Proceeds (disbursed) received on interfund notes payable	(14,350,000)	13,700,000	650,000	0
Payments received (paid) on interfund notes payable	2,100,000	(2,000,000)	(100,000)	0
Proceeds from notes payable	0	10,750,000	562,500	11,312,500
Payments on notes payable	(4,987,031)	(13,400,000)	(119,909)	(18,506,940)
Payments to banks for losses on insured loans, net	<u>0</u>	<u>0</u>	<u>(840,865)</u>	<u>(840,865)</u>
Net cash provided by non-capital financing activities	<u>396,095</u>	<u>9,333,650</u>	<u>1,077,628</u>	<u>10,807,373</u>
<b>Cash flows from investing activities:</b>				
Redemption or sale of investments	30,910,627	0	0	30,910,627
Purchase of investments	(31,764,205)	(41,472)	0	(31,805,677)
Income received on cash and investments	<u>813,282</u>	<u>6,884</u>	<u>8,514</u>	<u>828,680</u>
Net cash (used for) provided by investing activities	<u>(40,296)</u>	<u>(34,588)</u>	<u>8,514</u>	<u>(66,370)</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(726,657)	0	0	(726,657)
Payments on mortgage note payable	(79,166)	0	0	(79,166)
Interest paid on mortgage note payable	<u>(143,340)</u>	<u>0</u>	<u>0</u>	<u>(143,340)</u>
Net cash used for capital and related financing activities	<u>(949,163)</u>	<u>0</u>	<u>0</u>	<u>(949,163)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(986,760)</b>	<b>763,301</b>	<b>(438,464)</b>	<b>(661,923)</b>
Cash and cash equivalents at beginning of year	<u>2,576,912</u>	<u>209,315</u>	<u>1,019,706</u>	<u>3,805,933</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>1,590,152</u></b>	<b>\$ <u>972,616</u></b>	<b>\$ <u>581,242</u></b>	<b>\$ <u>3,144,010</u></b>

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, 2009

	Vermont Jobs Fund	Vermont Agricultural Credit Corporation	Non-Major Funds Combined	VEDA Combined Total
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:				
Operating loss	\$ (2,710,747)	\$ (113,621)	\$ (734,585)	\$ (3,558,953)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Interest income on investment activities	(800,167)	(6,884)	(8,514)	(815,565)
Net decrease in fair value of investments	905,599	0	0	905,599
Interest expense for commercial paper and notes payable	1,860,831	233,123	32,307	2,126,261
Interest (income) expense for interfund financing activities	(494,610)	465,097	29,513	0
Provision for loan losses	1,411,811	181,618	337,994	1,931,423
Provision for losses on insured loans	0	0	520,682	520,682
Interfund transfer of notes receivable	0	0	0	0
Repurchase sold note receivable	0	0	0	0
Depreciation expense	176,771	0	0	176,771
<b>Changes in assets and liabilities:</b>				
Notes receivable	98,802	(9,500,113)	(1,623,040)	(11,024,351)
Allowance for loan losses	(718,911)	(8,118)	(57,194)	(784,223)
Accrued interest receivable	33,838	(21,636)	(4,082)	8,120
Other assets	(2,827)	(5,286)	(4,369)	(12,482)
Escrow and reserve accounts	10,000	0	6,786	16,786
Accounts payable and accrued expenses	(140,399)	195,326	1,242	56,169
Interfund accounts (receivable) payable	<u>(23,387)</u>	<u>44,733</u>	<u>(21,346)</u>	<u>0</u>
Net cash used for operating activities	<u>\$ (393,396)</u>	<u>\$ (8,535,761)</u>	<u>\$ (1,524,606)</u>	<u>\$ (10,453,763)</u>

See accompanying notes to the basic financial statements

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, 2010 and 2009

<u>Assets</u>	2010 Agency Funds	2009 Agency Funds
Current Assets:		
Restricted cash and cash equivalents	\$ 3,907,234	\$ 4,806,712
Notes receivable	<u>675,048</u>	<u>405,512</u>
Total current assets	4,582,282	5,212,224
Notes receivable, less current portion	13,369,288	8,657,443
<b>Total assets</b>	<b><u>\$ 17,951,570</u></b>	<b><u>\$ 13,869,667</u></b>
<u>Liabilities</u>		
Current Liabilities:		
Due to Drinking Water State Revolving Fund	11,967,426	9,698,924
Due to Clean Energy Development Fund	3,240,749	1,449,540
Due to State Infrastructure Bank	2,739,645	2,624,639
Due to Brownfields Revolving Loan Fund	<u>3,750</u>	<u>96,564</u>
<b>Total liabilities</b>	<b><u>\$ 17,951,570</u></b>	<b><u>\$ 13,869,667</u></b>

*See accompanying notes to the basic financial statements*

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements  
*June 30, 2010 and 2009*

(1) Authorizing Legislation and Programs

(a) Authorizing Legislation

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

The Authority is governed by a twelve member board (the “Members”) comprised of three State officials: the Treasurer, the Secretary of the Agency of Commerce and Community Development, and the Secretary of Agriculture, Food and Markets. The remaining Members are nine citizens 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”) and the Vermont Agricultural Credit Corporation (“VACC”) are considered major funds of VEDA. Accordingly, they 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 revenues primarily from interest on notes receivable, interest on investments, and fee income from notes receivable and Industrial Development Bonds. The VJF programs are outlined below:

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

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. 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. Since fiscal 1988, the Authority has issued \$430 million of these bonds and \$278 million and \$254 million remain outstanding at June 30, 2010 and 2009, respectively. In 2010 and 2009 the Authority received \$216,031 and \$286,880, respectively, in fees for issuing industrial development bonds.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

Direct Loans to Businesses

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

**Vermont 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 and available cash reserves. The purpose of the VACC is to aid family farmers and agricultural facility operators by making available direct loans at favorable rates and terms. The majority of notes receivable made under this program carry guarantees of the federal government. At June 30, 2010 and 2009, \$29,176,806 and \$24,578,621, respectively of the outstanding balance of the notes receivable were guaranteed by the federal government. The federal guarantees range from 50% to 95% of the outstanding balance. The average federal guarantee on outstanding notes receivable was 90% at June 30, 2010 and 2009.

**Non-Major Funds**

Vermont Small Business Development Corporation (“VSBDC”)

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

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

Vermont 504 Corporation (“VT504”)

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

In 2010, a second fund was established to make small business loans using monies borrowed from the United States Department of Agriculture (“USDA”) Intermediary Relending Program. The “VT504 IRP Fund” was initially capitalized with \$187,500 from the VJF. The VT504 IRP Fund derives its revenues principally from interest and fees earned on loans.

Mortgage Insurance Program (“MIP”)

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

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

Financial Access Program (“FAP”)

The FAP generates its revenue through interest earned on the reserve balances deposited and held on behalf of the participating banks. The FAP is designed to stimulate lending to eligible small businesses by providing for the creation of a reserve fund which may be used to reimburse participating banks, in whole or in part, for losses on loans made under the program.

The reserve fund is comprised of deposits made by banks, which represent between 3% and 7% of the enrolled loan amount, matched equally by an allocation of insurance. The full faith and credit of the State of Vermont is pledged to support the operations of the FAP. The deposited amounts are included under the caption “Restricted cash and cash equivalents” and as “Escrow and reserve accounts” on the Balance Sheet.

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 notes 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 Net Assets. The programs include the State Infrastructure Bank (“SIB”), the Drinking Water State Revolving Fund (“DWF”), the Brownfield Revitalization Fund (“BRF”) and the Clean Energy Development Fund (“CEDF”). While not a direct recipient of federal funds, VEDA manages and holds federal funds for the SIB and DWF.

(c) Blended Component Units

Accounting principles generally accepted in the United States of America require that the financial statements present the Authority and its component units. Component Units are entities that, although legally separate are either financially accountable to, or have relationships such that exclusion would cause the Authority’s financial statements to be misleading or incomplete. The management and the boards of directors of the of the Authority's three corporations (VACC, VSBDC and VT504) also serve as the management and Members of the Authority. As such, each of 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. The Authority has elected to apply all Governmental Accounting Standards Board (“GASB”) pronouncements as well as any Financial Accounting Standards Board (“FASB”) pronouncements issued on or before November 30, 1989 to the extent they do not conflict with GASB pronouncements.

Adoption of GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*

In 2010, the Authority adopted GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Authority has one derivative instrument known as an interest-rate swap which is associated with a single hedgeable item – a fixed-rate note receivable. The swap has been determined to be an effective hedge under the standards and hedge accounting has been applied.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

Under hedge accounting, the fair value of the derivative instrument is recorded on the Balance Sheet under the caption “Fair value of derivative instrument” with an offsetting deferred inflow or outflow recorded under the caption “Deferred cash inflows [or outflow] from derivative instrument.”

(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 equivalents in the MIP and FAP are restricted pending transfer to the State. The FAP holds restricted cash on behalf of participating banks.

(d) Unrestricted and Restricted Investments

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

The VJF has an unrestricted investment in Vermont Capital Partners, LP (“VCP”). 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. VCP is required by the partnership agreement to invest 100% of its capital in a second limited partnership, the management of which is not under the control of the General Partner. The VCP investment is recorded at cost.

In 2010, VEDA received State appropriations totaling \$2,900,000 for investment in an entrepreneur seed capital fund. VEDA invested these funds in a limited partnership called the Vermont Seed Capital Fund, LP (“VSCF”). VEDA is one of two limited partners in the VSCF. The authorizing legislation provided for the continued reinvestment of any proceeds in the fund. 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 Net Assets Restricted for Vermont Seed Capital Fund” on the Balance Sheet.

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

(e) Notes Receivable

Notes receivable are recorded at the uncollected principal balance, net of any loans sold without recourse. In the VACC, as of June 30, 2010 and 2009, VEDA had \$1,931,216 and \$2,509,388 in outstanding loans sold, respectively.

(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, risk characteristics of various categories of loans and other pertinent factors. Future changes in economic and risk conditions could affect the adequacy of the reserves.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

(g) Nonaccrual Loans

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

The outstanding balance of nonaccrual loans at June 30, 2010 and 2009 was \$12,684,305 and \$10,012,053, respectively. These amounts represent 10.60% and 9.54% of total notes receivable outstanding at June 30, 2010 and 2009, respectively. The allowance for loan losses specific to nonaccrual loans totaled \$1,535,700 and \$1,570,700 at June 30, 2010 and 2009, respectively which represented 12% and 16% of the nonaccrual loans outstanding. Total interest collected on nonaccrual loans in the years ended 2010 and 2009 was \$435,239 and \$297,608, respectively.

(h) Other Real Estate Acquired

Other Real Estate acquired through foreclosure or other means is recorded at the net realizable value of the property (Note 4).

(i) Capital Assets

The chart below shows the changes in capital assets and accumulated depreciation for the years ending June 30, 2010 and 2009:

<b>Capital Assets Schedule for the Year Ending June 30, 2010:</b>	<b>Beginning Capital Assets</b>	<b>Add New Capital Assets</b>	<b>Less Current Year Depreciation</b>	<b>Less Assets Retired</b>	<b>Ending Capital Assets</b>
Real Estate - Montpelier, Vermont	\$ 4,630,217	\$ 11,845	\$ 0	\$ 0	\$ 4,642,062
Accumulated Depreciation - RE	(246,640)	0	125,530	0	(372,170)
Furniture, fixtures and equipment	527,220	175,582	0	45,830	656,972
Accumulated Depreciation - FF&E	(294,479)	0	75,884	(45,830)	(324,533)
Developed Land - Montpelier, Vermont	250,000	0	0	0	250,000
<b>Total Capital Assets, net</b>	<b>\$ 4,866,318</b>	<b>\$ 187,427</b>	<b>\$ 201,414</b>	<b>\$ 0</b>	<b>\$ 4,852,331</b>

<b>Capital Assets Schedule for the Year Ending June 30, 2009:</b>	<b>Beginning Capital Assets</b>	<b>Add New Capital Assets</b>	<b>Less Current Year Depreciation</b>	<b>Less Assets Retired</b>	<b>Ending Capital Assets</b>
Real Estate - Montpelier, Vermont	\$ 4,028,304	\$ 601,912	\$ 0	\$ 0	\$ 4,630,216
Accumulated Depreciation - RE	(129,500)	0	117,140	0	(246,640)
Furniture, fixtures and equipment	490,825	124,745	0	88,349	527,221
Accumulated Depreciation - FF&E	(323,197)	0	59,631	(88,349)	(294,479)
Developed Land - Montpelier, Vermont	250,000	0	0	0	250,000
<b>Total Capital Assets, net</b>	<b>\$ 4,316,432</b>	<b>\$ 726,657</b>	<b>\$ 176,771</b>	<b>\$ 0</b>	<b>\$ 4,866,318</b>

Capital assets include real estate ("RE") and furniture, fixtures & equipment ("FF&E"). RE includes land and two buildings. FF&E includes office furniture and fixtures and office equipment including computer hardware and software where the cost exceeds \$1,000. All assets are stated at cost net of accumulated depreciation.

The Authority depreciates capital assets (except land, which is not depreciated) using the straight-line method over the capital assets' estimated useful life. VEDA uses fifteen to forty years for RE and RE improvements; three to five years for computer related hardware and software; and up to a maximum of ten years for furniture and fixtures.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

(j) Restricted Net Assets

Net assets are restricted when constraints are placed on them externally. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted assets first with unrestricted resources utilized as needed.

(k) Operating Revenues and Expenses

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

(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. In 2010, the VJF made non-operating transfers of \$187,500 each to the VSBDC and the VT504. No such transfers were made in 2009.

(m) Allocation of Expenses

Overhead and some minor direct expenses are paid by the VJF on behalf of other the programs. All programs pay direct expenses for staff and professional fees plus an administrative fee to the VJF based on the outstanding balances in each program plus additional charges for originating and closing the financing products of each program. The allocation of overhead is shown on the Statement of Revenues, Expenses and Changes in Net Assets under the caption "Interfund expense allocation."

(n) 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. The current economic environment increases the inherent uncertainty in the estimates made by management.

(o) Reclassifications

Interfund receivables and payables were presented under the caption "Other assets" and "Accounts payable and accrued expenses" in the 2009 presentation. These amounts have been reclassified under a single caption "Interfund accounts (receivable) payable" on the Balance Sheet in the 2010 presentation.

(3) Cash Equivalents and 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-



**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

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 Members.

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.

Cash Equivalents

The Authority's cash equivalents include collateralized deposits and money market accounts. The collateralized deposits were collateralized with securities held in trust in the name of the bank for the benefit of the Authority. Money market accounts comprised of direct obligations of the U.S. Government at June 30, 2010 and 2009 totaled \$51,714 and \$68,029, respectively. The remaining money market accounts are comprised of investments eligible under VEDA's investment policy and totaled \$211,951 and \$170,580 at June 30, 2010 and 2009, respectively. All cash and cash equivalents are held by financial institutions in the Authority's name.

The book balance of cash equivalents for each of the past two years are as follows:

At June 30, 2010:	VJF	VACC	NON-MAJOR FUNDS	VEDA TOTAL
Collateralized deposit accounts	\$ 1,029,928	\$ 64,244	\$ 821,879	\$ 1,916,051
Money market accounts	51,714	0	211,951	263,665
<b>Total cash and cash equivalents</b>	<b>\$ 1,081,642</b>	<b>\$ 64,244</b>	<b>\$ 1,033,830</b>	<b>\$ 2,179,716</b>

At June 30, 2009:	VJF	VACC	NON-MAJOR FUNDS	VEDA TOTAL
Collateralized deposit accounts	\$ 1,522,123	\$ 972,616	\$ 410,662	\$ 2,905,401
Money market accounts	68,029	0	170,580	238,609
<b>Total cash and cash equivalents</b>	<b>\$ 1,590,152</b>	<b>\$ 972,616</b>	<b>\$ 581,242</b>	<b>\$ 3,144,010</b>

There were also cash and cash equivalents held in the Agency Fund totaling \$3,907,234 and \$4,806,712 at June 30, 2010 and 2009, respectively. The bank balance of the collateralized deposit accounts approximates the amounts shown above as of June 30, 2010 and 2009. 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.

Investments

The Authority's investment policy mandates that all debt investments carry a minimum rating of investment grade (BBB-). In the chart, investments within a group (by type or issuer) carry the same ratings except Corporate Bonds. The ratings for Corporate Bonds range in rating from a low of BBB- to a high rating of AAA; the weighted average rating for Corporate Bonds is A+. The weighted average rating is AA for investments that carry a long-term credit rating from one of three recognized rating agencies.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

Investments as of June 30, 2010 and 2009 are shown in the charts below:

Investments <i>By Type or By Issuer</i> as of June 30, 2010	Long-Term Credit Ratings		Par or Notional Amount	Weighted Average Coupon	Amortized Cost Basis	Estimated Fair Value ("FV")	FV as a % of Total
	Weighted Average	Range From Low to High					
US Government	AAA	AAA to AAA	\$ 3,876,000	1.96%	\$ 3,931,030	\$ 4,029,263	16.0%
Mortgage-Backed Securities	AAA	AAA to AAA	3,693,396	5.46%	3,847,146	3,978,545	15.7%
Commercial Mortgage Securities	AA+	A to AAA	1,250,304	5.48%	1,239,216	1,245,774	4.9%
Asset-Backed Securities	AAA	AAA to AAA	1,491,489	3.10%	1,492,585	1,511,306	6.0%
Corporate Bonds	A/A-	BBB- to AAA	2,536,000	5.47%	2,559,561	2,714,050	10.7%
Domestic Preferred Stocks	C	C	10,000	8.31%	6,600	3,400	0.0%
<b>Investments with fixed maturity date:</b>			<b>\$ 12,857,189</b>	<b>4.15%</b>	<b>\$ 13,076,138</b>	<b>\$ 13,482,338</b>	<b>53.3%</b>
Domestic Common Stocks	NOT RATED	NOT RATED	3,702,927	N/A	3,702,927	3,503,227	13.8%
International Common Stocks	NOT RATED	NOT RATED	2,005,903	N/A	2,005,903	1,979,703	7.8%
<b>The investments below are recorded at cost:</b>							
Vermont Seed Capital Fund, LP	NOT RATED	NOT RATED	2,900,000	N/A	2,900,000	2,900,000	11.5%
Domestic Money Market Funds	NOT RATED	NOT RATED	1,034,732	N/A	1,034,732	1,034,732	4.1%
<b>Restricted Investments</b>			<b>\$ 22,500,751</b>		<b>\$ 22,719,700</b>	<b>\$ 22,900,000</b>	<b>90.5%</b>
<b>The investments below are recorded at cost:</b>							
CoBank, ACB Stock	NOT RATED	NOT RATED	395,559	N/A	395,559	395,559	1.6%
Vermont Capital Partners, LP	NOT RATED	NOT RATED	2,000,000	N/A	2,000,000	2,000,000	7.9%
<b>Unrestricted Investments</b>			<b>\$ 2,395,559</b>		<b>\$ 2,395,559</b>	<b>\$ 2,395,559</b>	<b>9.5%</b>
<b>Investments at June 30, 2010</b>			<b>\$ 24,896,310</b>		<b>\$ 25,115,259</b>	<b>\$ 25,295,559</b>	<b>100.0%</b>

Investments <i>By Type or By Issuer</i> as of June 30, 2009	Long-Term Credit Ratings		Par or Notional Amount	Weighted Average Coupon	Amortized Cost Basis	Estimated Fair Value ("FV")	FV as a % of Total
	Weighted Average	Range From Low to High					
US Government	AAA	AAA to AAA	\$ 2,320,912	2.69%	\$ 2,302,115	\$ 2,295,301	10.2%
Mortgage-Backed Securities	AAA	AAA to AAA	5,199,590	5.27%	5,039,377	5,218,315	23.1%
Commercial Mortgage Securities	AAA	BBB to AAA	1,842,006	5.82%	1,825,756	1,612,745	7.1%
Asset-Backed Securities	AAA	AAA to AAA	1,406,271	4.51%	1,412,022	1,442,256	6.4%
Corporate Bonds	A+/A	BBB- to AAA	2,980,000	5.85%	2,984,798	3,028,601	13.4%
Domestic Preferred Stocks	BBB-	BBB-	6,600	8.30%	6,600	12,850	0.1%
<b>Investments with fixed maturity date:</b>			<b>\$ 13,755,378</b>	<b>4.95%</b>	<b>\$ 13,570,668</b>	<b>\$ 13,610,068</b>	<b>60.3%</b>
Domestic Common Stocks	NOT RATED	NOT RATED	3,902,023	N/A	3,902,023	3,062,683	13.5%
International Common Stocks	NOT RATED	NOT RATED	1,614,213	N/A	1,614,213	1,401,853	6.2%
<b>The investments below are recorded at cost:</b>							
Domestic Money Market Funds	NOT RATED	NOT RATED	1,925,396	N/A	1,925,396	1,925,396	8.5%
<b>Restricted Investments</b>			<b>\$ 21,197,010</b>		<b>\$ 21,012,300</b>	<b>\$ 20,000,000</b>	<b>88.5%</b>
<b>The investments below are recorded at cost:</b>							
Domestic Money Market Funds	NOT RATED	NOT RATED	243,025	N/A	243,025	243,025	1.1%
CoBank, ACB Stock	NOT RATED	NOT RATED	360,086	N/A	360,086	360,086	1.6%
Vermont Capital Partners, LP	NOT RATED	NOT RATED	2,000,000	N/A	2,000,000	2,000,000	8.8%
<b>Total Debt Securities</b>			<b>\$ 2,603,111</b>		<b>\$ 2,603,111</b>	<b>\$ 2,603,111</b>	<b>11.5%</b>
<b>Investments at June 30, 2009</b>			<b>\$ 23,800,121</b>		<b>\$ 23,615,411</b>	<b>\$ 22,603,111</b>	<b>100.0%</b>

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

Debt Securities

At June 30, 2010, the Authority owned 110 different debt securities totaling \$13,482,338 including a fair value adjustment of \$406,200. The debt securities are comprised of general obligations of the issuer (i.e. uncollateralized), collateralized pools of mortgages or other types of receivables, and preferred stock of domestic corporations.

At June 30, 2009, the Authority owned 82 different debt securities totaling \$13,610,068 including a fair value adjustment of \$39,400. The debt securities are comprised of general obligations of the issuer (i.e. uncollateralized), collateralized pools of mortgages or other types of receivables, and preferred stock of domestic corporations.

Equity Securities

At June 30, 2010, the Authority owned 39 different equity positions in domestic and foreign corporations totaling \$5,482,930 including a fair value adjustment of (\$225,900). At June 30, 2009, the Authority owned 38 different equity positions in domestic and foreign corporations totaling \$4,464,536 including a fair value adjustment of (\$1,051,700).

CoBank, ACB Stock

The VACC borrows funds from CoBank, ACB (Note 6). As part of its borrowing relationship, the VACC is required to own CoBank stock in amounts relative to the outstanding debt, adjusted annually. At June 30, 2010 and 2009, the VACC owned \$395,559 and \$360,086 of CoBank stock, respectively. The stock is held by CoBank in the name of the VACC. Ownership of CoBank stock is required as part of a borrowing relationship with CoBank and cannot be remarketed and is consequently valued at cost.

Vermont Capital Partners, LP

In 2006, VEDA formed Vermont Capital Partners, LP (“VCP”). The Authority invested \$2,000,000 in VCP. In addition, VCP has four limited partners who have invested combined capital of \$2,750,000. The VCP partnership agreement specifies that VCP must invest 100% of its capital in Brook Ventures II, LP (“BVII”) a Massachusetts based mezzanine debt fund. The target market for BVII is the northeastern United States and BVII focuses on markets historically underserved by mezzanine capital. BV II was selected by approval of the VEDA Members after due diligence by VEDA Management and consultation from legal and financial experts in mezzanine debt funds.

In 2009, the Authority funded the final capital call in the amount of \$400,000. The total capital pledged by the five VCP partners is \$4,750,000. The amount of contributed capital outstanding at June 30, 2010 and 2009 was \$4,750,000. The estimated fair value of VCP capital at June 30, 2010 and 2009 was \$4,106,577 and \$3,792,885, respectively. There is no ready market for the VCP investment in BVII so the Authority’s investment is carried at cost of \$2,000,000 as of June 30, 2010 and 2009.

The Authority is the General Partner (GP) and the sponsor of VCP. The role of GP/sponsor includes selecting BVII and providing upfront costs to form the VCP. VEDA will be paid by VCP for sponsorship costs up to a maximum of \$350,000. As of June 30, 2010, the Authority had expended \$350,000 in sponsorship costs to form and operate the VCP. These costs are recorded in the Balance Sheet under the caption “Other assets.”

Vermont Seed Capital Fund, LP

In 2010, VEDA received an appropriation of \$2,900,000 for investment in an entrepreneur seed capital fund. VEDA invested these funds in a limited partnership called the Vermont Seed Capital Fund, LP (“VSCF”). VEDA is the one of two limited partners in the VSCF. The other limited partner’s investment totals \$1,000,000. VCET Capital Corporation is the General Partner. The authorizing legislation provided that VEDA’s share of any proceeds from the VSCF be perpetually reinvested in a seed capital fund. There is no ready market for the VSCF investment so the Authority’s investment is carried at cost of \$2,900,000 at of June 30, 2010. Since the invested funds cannot be used by VEDA except for

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

reinvestment in the VCSF, the investment is reflected under the captions Restricted Investments and Net Assets Restricted for Vermont Seed Capital Fund” on the Balance Sheet.

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. The Authority’s Investment Committee has selected a diversification mix of approximately 70% fixed-income securities with an average duration of less than five years combined with a mix of 30% equity securities of well capitalized companies. None of the debt investments have any terms which are considered to make them highly sensitive to interest rate changes.

Duration is a measure of an investments exposure to changes in fair value that could result from changes in interest rates (i.e. interest rate risk). Duration uses the present value of cash flows from an investment, weighted for those cash flows as a percentage of an investment’s full price. The chart below illustrates the differences between the weighted average remaining term to maturity (“WAM”) and the duration of investments for which projected cash flows can be reasonably estimated for investments outstanding at June 30, 2010 and 2009.

Fixed Maturity Investments Subject to Interest Rate Risk By Investment Type	as of June 30, 2010			as of June 30, 2009		
	WAM (a) (in yrs)	Duration (in yrs)	Fair Value	WAM (a) (in yrs)	Duration (in yrs)	Fair Value
Asset-Backed Securities	3.24	1.34	\$ 1,511,306	3.22	1.21	\$ 1,442,256
Commercial MBS	27.33	2.33	1,245,774	27.15	2.72	1,612,745
Corporate Bonds	7.74	5.50	2,714,050	6.88	4.45	3,028,601
Mortgage-Backed Securities ("MBS")	24.20	1.68	3,978,545	25.65	3.24	5,218,315
Domestic Preferred Stocks	N/A	N/A	3,400	N/A	N/A	12,850
US Government	4.75	4.24	4,029,263	12.88	5.96	2,295,301
<b>Total Debt Securities</b>	<b>13.00</b>	<b>3.23</b>	<b>\$ 13,482,338</b>	<b>15.67</b>	<b>4.02</b>	<b>\$ 13,610,068</b>

(a) "WAM" is an acronym for Weighted Average Maturity.

Derivative Financial Instrument

On June 30, 2006, the Authority entered into a derivative financial instrument called an interest rate swap. The swap counterparty is Dexia Credit Local (“Dexia”). Dexia is rated A+ by one national credit rating agency with comparable long-term ratings from the other national rating agencies. The swap is used to hedge interest rate risk on a long-term fixed-rate tax exempt note receivable funded with commercial paper that refunds approximately every ninety days. The note receivable cannot be prepaid without the Borrower paying a penalty equal to the fair value adjustment of the swap.

The notional amount of the swap is adjusted quarterly based on a preset schedule that approximates the amortization of the underlying note receivable being hedged. The notional amount of the swap at June 30, 2010 and 2009 was \$2,993,842 and \$3,087,949, respectively. The term of the swap is ten years; the same as the fixed-rate period on the note receivable being hedged.

VEDA pays a fixed rate of 4.38%. The receive rate is based on a quarterly average of the weekly Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (formerly the Bond Market Association/PSA Municipal Swap Index) and was 0.25% and 0.35%, respectively at June 30, 2010 and 2009. The fair value of the swap at June 30, 2010 and 2009 was (\$401,879) and (\$314,895), respectively. The fair value is provided by Dexia.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

(4) Notes Receivable

The outstanding balance of notes receivable for the years ending June 30, 2010 and 2009 are detailed in the charts below:

<b>Notes Receivable By Program</b>	<b>VJF</b>	<b>VACC</b>	<b>NON-MAJOR FUNDS</b>	<b>VEDA TOTAL</b>	<b>As a % of TOTAL</b>
<b>Balances at June 30, 2010:</b>					
Loans to development corporations	\$ 20,338,069	\$ 0	\$ 0	\$ 20,338,069	17%
Direct loans to businesses	39,500,112	0	0	39,500,112	33%
Agricultural loans	0	50,982,350	0	50,982,350	43%
Small business loans	0	0	8,888,507	8,888,507	7%
<b>Total Notes Receivable</b>	<b>\$ 59,838,181</b>	<b>\$ 50,982,350</b>	<b>\$ 8,888,507</b>	<b>\$ 119,709,038</b>	<b>100%</b>

<b>Notes Receivable By Program</b>	<b>VJF</b>	<b>VACC</b>	<b>NON-MAJOR FUNDS</b>	<b>VEDA TOTAL</b>	<b>As a % of TOTAL</b>
<b>Balances at June 30, 2009:</b>					
Loans to development corporations	\$ 20,662,267	\$ 0	\$ 0	\$ 20,662,267	20%
Direct loans to businesses	34,892,872	0	0	34,892,872	33%
Agricultural loans	0	43,035,665	0	43,035,665	41%
Small business loans	0	0	6,389,352	6,389,352	6%
<b>Total Notes Receivable</b>	<b>\$ 55,555,139</b>	<b>\$ 43,035,665</b>	<b>\$ 6,389,352</b>	<b>\$ 104,980,156</b>	<b>100%</b>

There were \$14,044,336 and \$9,062,955 of Agency Fund notes receivable outstanding at June 30, 2010 and 2009, respectively.

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 notes 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 notes receivables where a loss is probable and also establishes non-specific allowances for unidentified future losses. Non-specific reserves are based on a review of historical loss experience on the various loan portfolios combined with management's judgment of how those historical trends might relate to future loss experience. The change in the allowance for the years ending June 30, 2010 and 2009 are shown in the charts below:

<b>For Year Ending June 30, 2010:</b>	<b>Beginning</b>	<b>Add (deduct)</b>	<b>Less</b>	<b>Add</b>	<b>Ending</b>
<b>Loan Program and Fund Totals</b>	<b>2010</b>	<b>Loan Loss</b>	<b>Loan</b>	<b>Loan</b>	<b>2010</b>
	<b>Allowance</b>	<b>Provisions</b>	<b>Write-offs</b>	<b>Recoveries</b>	<b>Allowance</b>
Loans to development corporations	\$ 852,000	\$ 46,525	\$ 0	\$ 130,000	\$ 1,028,525
Direct loans to businesses	1,064,900	601,823	335,823	0	1,330,900
<b>VJF Total</b>	<b>1,916,900</b>	<b>648,348</b>	<b>335,823</b>	<b>130,000</b>	<b>2,359,425</b>
<b>VACC Total</b>	<b>756,600</b>	<b>156,091</b>	<b>129,300</b>	<b>3,009</b>	<b>786,400</b>
VSBCD small business loans	643,000	178,146	175,446	0	645,700
VT504 small business loans	0	42,200	0	0	42,200
<b>Non-Major Funds Total</b>	<b>643,000</b>	<b>220,346</b>	<b>175,446</b>	<b>0</b>	<b>687,900</b>
<b>VEDA Total</b>	<b>\$ 3,316,500</b>	<b>\$ 1,024,785</b>	<b>\$ 640,569</b>	<b>\$ 133,009</b>	<b>\$ 3,833,725</b>

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

For Year Ending June 30, 2009: Loan Program and Fund Totals	Beginning 2009 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2009 Allowance
Loans to development corporations	\$ 53,000	\$ 799,000	\$ 0	\$ 0	\$ 852,000
Direct loans to businesses	1,171,000	612,811	718,911	0	1,064,900
<b>VJF Total</b>	<b>1,224,000</b>	<b>1,411,811</b>	<b>718,911</b>	<b>0</b>	<b>1,916,900</b>
<b>VACC Total</b>	<b>583,100</b>	<b>181,618</b>	<b>29,916</b>	<b>21,798</b>	<b>756,600</b>
VSBDC small business loans	362,200	337,994	57,194	0	643,000
VT504 small business loans	0	0	0	0	0
<b>Non-Major Funds Total</b>	<b>362,200</b>	<b>337,994</b>	<b>57,194</b>	<b>0</b>	<b>643,000</b>
<b>VEDA Total</b>	<b>\$ 2,169,300</b>	<b>\$ 1,931,423</b>	<b>\$ 806,021</b>	<b>\$ 21,798</b>	<b>\$ 3,316,500</b>

Other Real Estate Owned

In March, 2010, the Authority acquired property located in Waitsfield, Vermont by a deed in lieu of foreclosure. The property was collateral for loan to a local development corporation. No income was derived from the property in 2010. The property is valued at its net realizable value of \$130,000 and is recorded under the caption "Other Assets" on the Balance Sheet.

(5) Commercial Paper

Since 1998, the Authority has issued commercial paper to fund its lending operations in the VJF. Approximately every ninety days, the Authority issues taxable and tax-exempt commercial paper ("CP") to fund new loans and to refund existing loans made under the program. Credit support for the program is provided by an irrevocable letter of credit ("LC"). Because of the credit rating of the LC provider, the LC elevates the rating for the VEDA CP to "A-1" as rated by Standard and Poor's and P-1 by Moody's Investor Services.

The charts below detail the rates and terms of outstanding commercial paper at June 30, 2010 and 2009:

Commercial Paper Outstanding at June 30, 2010	Issue Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	06/03/2010	07/15/2010	0.50%	\$ 61,700,000
Taxable commercial paper	05/27/2010	07/15/2010	0.53%	8,300,000
<b>Total taxable commercial paper</b>			<b>0.50%</b>	<b>\$ 70,000,000</b>
Tax-exempt commercial paper	05/27/2010	07/15/2010	0.50%	14,500,000
<b>Total Commercial Paper Outstanding</b>			<b>0.50%</b>	<b>\$ 84,500,000</b>

Commercial Paper Outstanding at June 30, 2009	Issue Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	05/28/2009	07/07/2009	0.50%	\$ 10,800,000
Taxable commercial paper	05/28/2009	07/16/2009	0.50%	\$ 59,200,000
<b>Total taxable commercial paper</b>			<b>0.50%</b>	<b>\$ 70,000,000</b>
Tax-exempt commercial paper	04/21/2009	07/16/2009	0.72%	12,800,000
<b>Total Commercial Paper Outstanding</b>			<b>0.53%</b>	<b>\$ 82,800,000</b>

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

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

<b>Commercial Paper</b>	<b>2010</b>	<b>Total</b>	<b>Total</b>	<b>2010</b>
<b>Roll Forward Schedule for</b>	<b>Beginning</b>	<b>CP</b>	<b>CP</b>	<b>Ending</b>
<b>the year ending June 30, 2010</b>	<b>Balance</b>	<b>Issued</b>	<b>Matured</b>	<b>Balance</b>
Taxable commercial paper	\$ 70,000,000	\$ 562,500,000	\$ (562,500,000)	70,000,000
Tax-exempt commercial paper	12,800,000	96,900,000	(95,200,000)	14,500,000
<b>Total Commercial Paper</b>	<b>\$ 82,800,000</b>	<b>\$ 659,400,000</b>	<b>\$ (657,700,000)</b>	<b>\$ 84,500,000</b>

<b>Commercial Paper</b>	<b>2009</b>	<b>Total</b>	<b>Total</b>	<b>2009</b>
<b>Roll Forward Schedule for</b>	<b>Beginning</b>	<b>CP</b>	<b>CP</b>	<b>Ending</b>
<b>the year ending June 30, 2009</b>	<b>Balance</b>	<b>Issued</b>	<b>Matured</b>	<b>Balance</b>
Taxable commercial paper	\$ 50,000,000	\$ 398,100,000	\$ (378,100,000)	70,000,000
Tax-exempt commercial paper	15,000,000	25,900,000	(28,100,000)	12,800,000
<b>Total Commercial Paper</b>	<b>\$ 65,000,000</b>	<b>\$ 424,000,000</b>	<b>\$ (406,200,000)</b>	<b>\$ 82,800,000</b>

Subsequent to year end, the Authority issued taxable and tax-exempt CP to refund maturing CP; the issue dates, amounts issued, and maturity dates of the various refundings are shown in the chart below:

<b>Commercial Paper</b>	<b>Issue</b>	<b>Maturity</b>	<b>Rate</b>	<b>Amount</b>
<b>Issued Subsequent to Year End</b>	<b>Date</b>	<b>Date</b>		<b>Issued</b>
Taxable commercial paper	07/15/2010	07/19/2010	0.50%	\$ 16,400,000
Taxable commercial paper	07/15/2010	08/18/2010	0.50%	\$ 53,600,000
Tax-exempt commercial paper	07/15/2010	08/18/2010	0.50%	\$ 13,800,000
Taxable commercial paper	07/19/2010	08/18/2010	0.50%	\$ 16,400,000
Taxable commercial paper	08/18/2010	10/12/2010	0.47%	\$ 70,000,000
Tax-exempt commercial paper	08/18/2010	10/12/2010	0.47%	\$ 14,000,000

Letter of Credit:

In December 2007, VEDA entered into a three year LC agreement with Calyon, acting through its New York Branch (“Calyon”) to replace the \$90,000,000 facility. Calyon is the corporate and investment banking entity of the Credit Agricole Group. The LC is collateralized with \$20,000,000 in investment securities, and a moral obligation pledge of the State for \$70,000,000. The notes receivable funded with CP, while not specifically pledged to Calyon, represent the primary source of repayment of the CP and therefore have limited use for any other purpose.

Included in interest expense were fees related to the LC of \$321,269 and \$304,980 in 2010 and 2009, respectively. Included in the LC fees for 2010 and 2009 were \$40,559 and \$40,750 of amortized deferred debt issuance costs that represent amortization on \$122,250 of legal, consulting, transfer agent and rating agency fees incurred to put the new three year LC facility in place. At June 30, 2010, \$17,628 of unamortized deferred bond issuance costs under the caption “Other Assets” on the Balance Sheet.



**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

(6) Interfund Notes Payable and Notes Payable

Interfund Notes Payable

The VACC and VSBDC borrow monies from the VJF to fund their lending operations under revolving line of credit notes (LOC). The VJF funds the outstanding inter-fund notes primarily from the issuance of commercial paper. In 2010, the VACC has an LOC note in the amount of \$30,000,000. The outstanding balances at June 30, 2010 and 2009 were \$26,200,000 and \$26,700,000, respectively.

The VSBDC LOC was increased from \$3,000,000 to \$5,000,000 in 2010. The outstanding balance at June 30, 2010 and 2009 of the VSBDC LOC was \$2,825,000 and \$1,500,000, respectively.

The term of both inter-fund notes payable are for three years and call for monthly interest payments at a floating rate of interest tied to the cost of VEDA's Taxable CP.

Notes Payable

Details of notes payable outstanding at June 30, 2010 and 2009 are shown in the chart below:

<b>Notes Payable for Years Ending June 30:</b>	<b>Original Amount</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Current Rate</b>	<b>Balance 2010</b>	<b>Balance 2009</b>
<b>VJF - Northfield Savings Bank, FSB</b>	<b>\$ 3,400,000</b>	<b>12/13/07</b>	<b>12/13/22</b>	<b>4.25%</b>	<b>\$ 3,200,877</b>	<b>\$ 3,283,523</b>
<b>VACC - CoBank, ACB.</b>	<b>\$ 30,000,000</b>	<b>06/28/10</b>	<b>12/15/10</b>	<b>2.15%</b>	<b>\$ 14,250,000</b>	<b>\$ 7,600,000</b>
VSBD - USDA Rural Development IRP	\$ 1,000,000	08/08/89	08/08/19	1.00%	\$ 405,158	\$ 443,176
VSBD - USDA Rural Development IRP	1,000,000	10/04/94	10/04/24	1.00%	585,728	621,959
VSBD - USDA Rural Development IRP	1,000,000	03/16/95	03/16/25	1.00%	573,927	610,274
VSBD - USDA Rural Development IRP	200,085	03/09/06	03/09/24	1.00%	158,660	169,171
VSBD - USDA Rural Development IRP	750,000	03/09/06	03/09/36	1.00%	725,662	750,000
VSBD - USDA Rural Development IRP	750,000	06/27/08	06/27/38	1.00%	750,000	750,000
VSBD - USDA Rural Development IRP	750,000	10/29/09	10/29/38	1.00%	750,000	0
VT504 - USDA Rural Development IRP	750,000	10/29/09	10/29/38	1.00%	750,000	0
<b>Non-Major Funds Total</b>	<b>\$ 6,200,085</b>			<b>1.00%</b>	<b>\$ 4,699,135</b>	<b>\$ 3,344,580</b>
<b>Total Notes Payable</b>	<b>\$ 39,600,085</b>			<b>2.21%</b>	<b>\$ 22,150,012</b>	<b>\$ 14,228,103</b>

Mortgage Note Payable

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

CoBank, ACB

The VACC has a revolving line of credit agreement with CoBank that was originally entered into in July 1999. On June 28, 2010, the LOC amount was increased from \$20,000,000 to \$30,000,000 and 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 2010 and 2009 are fees related to the LOC in the amount of \$19,964 and \$26,672, respectively.

Intermediary Relending Program

The VSBDC and VT 504 have seven and one note(s) payable, respectively from 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 principal and interest.



**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

Financial Debt Covenants

Under the commercial paper and certain note payable debt agreements, the Authority has agreed to comply with certain financial covenants. The covenants require certain minimum equity levels and to maintain the amount of adversely classified loans below a specified level. As of and for the years ended June 30, 2010 and 2009, the Authority believes it has met its required financial covenants.

The schedule below details the changes in notes payable over the past two years:

Note Payable Roll Forward Schedule	2010		Add	Less	2010	
	Beginning		New	Debt	Ending	
	Balance		Debt	Paid	Balance	
VJF	\$ 3,283,523	\$	0	\$ 82,646	\$ 3,200,877	
VACC	7,600,000		6,650,000	0	14,250,000	
Non-Major Funds	3,344,580		1,500,000	145,445	4,699,135	
<b>Total for FY 2010</b>	<b>\$ 14,228,103</b>	<b>\$</b>	<b>8,150,000</b>	<b>\$ 228,091</b>	<b>\$ 22,150,012</b>	

Note Payable Roll Forward Schedule	2009		Add	Less	2009	
	Beginning		New	Debt	Ending	
	Balance		Debt	Paid	Balance	
VJF	\$ 8,349,720	\$	0	\$ 5,066,197	\$ 3,283,523	
VACC	10,250,000		10,750,000	13,400,000	7,600,000	
Non-Major Funds	2,901,989		562,500	119,909	3,344,580	
<b>Total for FY 2009</b>	<b>\$ 21,501,709</b>	<b>\$</b>	<b>11,312,500</b>	<b>\$ 18,586,106</b>	<b>\$ 14,228,103</b>	

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

Fiscal Year	Notes Payable Principal Payments:			Interest Payments:		
	VJF	VACC	Non-Major Funds	VJF	VACC	Non-Major Funds
2011	\$ 86,262	\$ 14,250,000	\$ 146,899	\$ 136,244	\$ 46,991	\$ 46,991
2012	89,689	0	148,369	132,817	45,523	45,523
2013	93,995	0	174,187	128,511	44,039	44,039
2014	98,127	0	224,600	124,379	42,296	42,296
2015	102,439	0	226,846	120,067	40,051	40,051
2016-2020	583,184	0	1,168,714	529,345	165,769	165,769
2021-2025	2,147,181	0	982,861	213,933	110,301	110,301
2026-2030	0	0	566,606	0	70,114	70,114
2031-2035	0	0	595,509	0	41,211	41,211
2036-2040	0	0	464,544	0	12,762	12,762
<b>Total</b>	<b>\$ 3,200,877</b>	<b>\$ 14,250,000</b>	<b>\$ 4,699,135</b>	<b>\$ 1,385,296</b>	<b>\$ 619,057</b>	<b>\$ 619,057</b>

(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 balance sheet 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 \$24,314,746 and \$24,177,491 of loans at June 30, 2010 and 2009, respectively. The VT504 received \$194,108 and \$174,911 in fees to service these loans in 2010 and 2009, respectively.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

**(8) Retirement Plan**

The Authority has a non-contributory defined contribution retirement plan for all employees who have completed one year of service. Contributions are based on ten percent of each participant's compensation. Contributions are made to individual Simplified Employer Plan ("SEP") accounts held by a financial institution in the participant's name. Contributions are immediately 100% vested.

Information regarding the Authority's retirement plan contributions, covered and total payroll for employees for the last three years are shown in the chart below:

<b>Retirement Plan Information for Fiscal Years ending June 30:</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Contributions to Simplified Employer Plan ("SEP")	\$ 151,271	\$ 146,719	\$ 161,784
SEP Contributions as a % of Covered Payroll	10%	10%	10%

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

**(9) Operating Leases**

In 2007, the Authority purchased its primary headquarters building located in Montpelier, Vermont. The purchase included 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 with its various tenants for space in the two buildings. The first two floors in the main building are leased to a single not-for-profit tenant. The lease was signed in 2009 with an occupancy date of August 1, 2009. The lease is for fifteen years with fixed monthly payments for ten years; in the eleventh year the 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.

<b>Lease Revenue</b>	
<b>Fiscal Year</b>	<b>VJF</b>
2011	\$ 135,170
2012	135,170
2013	135,170
2014	135,170
2015	135,170
2016-2020	743,420
2021-2025	2,534,340
<b>Total</b>	<b>\$ 3,953,610</b>

The space in the second building is leased to multiple tenants. The leases range from month-to-month to a maximum term of one remaining year. The terms of the leases call for fixed monthly payments. Rental income in 2010 and 2009 from both buildings totaled \$196,928 and \$171,201, respectively. The projected lease payments from VEDA tenants are shown in the chart above.

The Authority has a one year renewable lease for an office in Burlington, Vermont and paid occupancy expenses under the lease for the years ended June 30, 2010 and 2009, of \$18,246 and \$7,305, respectively.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

**(10) Loan Commitments Outstanding**

At June 30, 2010 the Authority had commitments for new loans and undisbursed amounts on existing loans as detailed below:

<b>Outstanding Commitments at June 30, 2010</b>	<b>VJF</b>	<b>VACC</b>	<b>NON-MAJOR FUNDS</b>	<b>VEDA TOTAL</b>
Note receivable commitments	\$ 5,490,632	\$ 5,414,375	\$ 1,311,991	\$ 12,216,998
Undisbursed notes receivable	5,290,889	1,438,114	528,024	7,257,027
<b>Outstanding Commitments</b>	<b>\$ 10,781,521</b>	<b>\$ 6,852,489</b>	<b>\$ 1,840,015</b>	<b>\$ 19,474,025</b>

The Authority expects to disburse these funds throughout 2011.

**(11) Contingent Liabilities**

**Insurance Programs**

Under the Authority's two insurance programs (the MIP and FAP) VEDA has a contingent liability to lending institutions for the portion of loans VEDA insures. The full faith and credit of the State is pledged to support the activities of the two programs. The insured loan balances in the MIP totaled \$4,901,888 and \$6,718,291 at June 30, 2010 and 2009, respectively. The contingent liability for the FAP totaled \$807,044 and \$877,234 at June 30, 2010 and 2009, respectively.

A loss claim in the MIP totaling \$148,350 was recorded and paid in 2009. Losses on FAP insured loans totaled \$69,670 and \$7,519 in 2010 and 2009, respectively. The losses in the MIP and FAP are recorded under the caption "Provision for losses on insured loans" on the Statement of Revenues, Expenses and Changes in Net Assets.

**Other Contingent Liabilities**

The Authority receives financial assistance from the Federal government in the form of loan guarantees and interest subsidies. Entitlement to Federal financial assistance is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. All Federal financial assistance programs are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies. Any guarantees paid or subsidy amounts received that are disallowed as a result of these audits would become a liability of the Authority. At June 30, 2010, 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 a combination of commercial insurance packages purchased in the name of the Authority. Insurance settlements have not exceeded insurance coverage for any of the past three years, nor have there been any reductions in insurance coverage.

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

**Appropriations**

Appropriations represent funds transferred from the State to the Authority for support of certain programs. In the years ended June 30, 2010 and 2009, the Authority received appropriations of \$5,850,000 and \$1,000,000, respectively, from the State.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

Net Assets Restricted

VEDA had Restricted Net Assets of \$20,051,714 and \$20,068,029 under the caption [Restricted] “For collateral for the commercial paper program” at June 30, 2010 and 2009, respectively. These amounts represent restricted assets pledged to collateralize the issuance of commercial paper (Note 5).

As a result of various agreements with (and appropriations from) the State, amounts are recorded as [Restricted] “For interest rate subsidies” in the Net Asset section on the VJF and VACC balance sheets. At June 30, 2010 and 2009, the Authority had \$4,774,775 and \$2,365,620 of Net Assets restricted for subsidies, respectively. The increase in 2010 of \$2,409,155 was the result of new appropriations less the amount used.

In 2010, the State appropriated \$2,900,000 to VEDA for investment in a seed capital fund (Note 3). Since all revenues derived from the fund are reinvested in the fund, the investment is recorded a restricted investment and as restricted net assets.

Interest Rate Subsidies

In previous years, the Authority has received resources from the State (appropriations and debt forgiveness) for interest rate subsidies. The various resources, together with investment income generated thereon or interest expense saved is used to offset revenue lost on subsidized VJF and VACC loans. For VEDA, a subsidy is defined as the difference between the interest rate charged to borrowers and the interest rate that is required to cover operating costs and provide growth in Net Assets.

In 2010 and 2009, VEDA received \$2,950,000 and \$1,000,000 in appropriations for interest rate subsidies in the VJF and for subsidies and loan losses in the VACC. The appropriations are recorded as Restricted Net Assets under the caption “Restricted for interest rate subsidies.”

On a monthly basis, management determines the amount of subsidy used for each note receivable based on the loan balance, the cost of borrowed funds, a margin to cover operating costs, the rate charged on each note and estimated loan losses (as applicable). For the years ended 2010 and 2009, the Authority incurred non-covered operating costs resulting from VJF/VACC subsidy program of \$546,525 and \$631,816, respectively.

In 2009, the Authority received an advance of \$1,250,000 from the State. Through an agreement with the State, annual write-downs of the advance and the interest expense saved through use of the funds to reduce outstanding commercial paper, is designated for interest rate subsidies. None of the advance has been written down and \$5,680 and \$23,600 of interest was saved. The advance is reflected on the Balance Sheet under the caption “Other Liability – State of Vermont.”

Insurance Fund and Financial Access Programs

By statute the State of Vermont pledges its full faith and credit to support the operations of the MIP and FAP. The statute also calls for all net income to be transferred annually to the State. The transfers between the programs and the State (either to or from) are recorded under the caption “Non-operating revenue (or expense) from the State.”

Grants on Behalf of the State

Pursuant to an agreement with the State, VEDA funds grants made by two State Agencies. The grants fund farm waste remediation and disposal projects as well as projects to control the pollution of lakes and streams in Vermont. In 2010 and 2009, \$121,734 and \$140,634 was disbursed by VEDA for grants on behalf of the State. These amounts are not reflected on the *Statement of Revenues, Expenses and Change in Net Assets* because the grant expense is offset by a commensurate amount of forgiveness of the “Other Liability State of Vermont.” The remaining amount available for grants at June 30, 2010 and 2009 was \$200,206 and \$321,940, respectively. The funds are disbursed at the direction of the Agencies.

**Vermont Economic Development Authority**  
(A Component Unit of the State of Vermont)  
Notes to Financial Statements

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 notes receivable for two 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-related projects. The Authority issues notes receivable and is assisted by the ANR in approving the loans. ANR transferred \$2,218,626 and \$2,000,000 to the Authority in 2010 and 2009, respectively for the purpose of making the DWF loans. The VJF earned \$100,340 and \$60,420 in fees in 2010 and 2009, respectively.

Clean Energy Development Fund (“CEDF”)

In 2009, the Authority began providing services to CEDF operated in conjunction with the State Department of Public Service. The CEDF makes grants and loans to businesses for the purpose of developing and marketing renewable and clean sources of energy. The VJF earned \$32,367 and \$12,716 in fees for services in 2010 and 2009, 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 \$3,394 and \$4,409 in fees for services in 2010 and 2009, 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 \$1,950 and \$510 in fees for these services in 2010 and 2009, respectively.

A summary of the outstanding balances of cash and notes receivable at June 30, 2010 and 2009 for the respective State agencies are shown in the chart below:

<b>At June 30, 2010:</b>	<b>DWF</b>	<b>CEDF</b>	<b>SIB</b>	<b>BRF</b>	<b>TOTAL</b>
Cash and cash equivalents	\$ 1,047,395	\$ 116,445	\$ 2,739,645	\$ 3,750	\$ 3,907,235
Notes receivable	10,920,031	3,124,304	0	0	14,044,335
<b>Total Due To Agency</b>	<b>\$ 11,967,426</b>	<b>\$ 3,240,749</b>	<b>\$ 2,739,645</b>	<b>\$ 3,750</b>	<b>\$ 17,951,570</b>

<b>At June 30, 2009:</b>	<b>DWF</b>	<b>CEDF</b>	<b>SIB</b>	<b>BRF</b>	<b>TOTAL</b>
Cash and cash equivalents	\$ 1,335,509	\$ 750,000	\$ 2,624,639	\$ 96,564	\$ 4,806,712
Notes receivable	8,363,415	699,540	0	0	9,062,955
<b>Total Due To Agency</b>	<b>\$ 9,698,924</b>	<b>\$ 1,449,540</b>	<b>\$ 2,624,639</b>	<b>\$ 96,564</b>	<b>\$ 13,869,667</b>

Other Related Parties

In 2010, a Member of the Authority took the position of Chief Financial Officer for a VEDA Borrower. The Borrower’s outstanding loan from VEDA is in the amount of \$1,300,000 and was approved in May of 2009 prior to the Member accepting the position. The balance on the related party loan was \$1,300,000 at June 30, 2010. There were no related party balances outstanding at June 30, 2009.

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## VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

### SUPPLEMENTARY SCHEDULES

Combining Financial Statements - Other Non-Major Funds

Combining Financial Statements – Vermont Small Business development Corporation

Combining Financial Statements – Vermont 504 Corporation

June 30, 2010 and 2009

### Supplementary Schedules

Combining Financial Statements - Non-Major Funds:

<u>Schedule 1:</u>	Combining Balance Sheet – Non-Major Funds	43 - 44
<u>Schedule 2:</u>	Combining Statement of Revenues, Expenses and Changes in Net Assets – Non-Major Funds	45 - 46
<u>Schedule 3:</u>	Combining Statement of Cash Flows – Non-Major Funds	47 - 48

Combining Financial Statements – Vermont Small Business Development Corporation:

<u>Schedule 4:</u>	Combining Balance Sheet	49
<u>Schedule 5:</u>	Combining Statement of Revenues, Expenses and Changes in Net Assets	50
<u>Schedule 6:</u>	Combining Statement of Cash Flows	51

Combining Financial Statements – Vermont 504 Corporation:

<u>Schedule 7:</u>	Combining Balance Sheet	52
<u>Schedule 8:</u>	Combining Statement of Revenues, Expenses and Changes in Net Assets	53
<u>Schedule 9:</u>	Combining Statement of Cash Flows	54

Vermont Economic Development Authority  
(A Component Unit of the State of Vermont)  
Combining Balance Sheet - Non-Major Funds  
as of June 30, 2010

<u>Assets</u>	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:					
Cash and cash equivalents:					
Unrestricted	\$ 411,396	\$ 410,483	\$ 0	\$ 0	\$ 821,879
Restricted	<u>0</u>	<u>0</u>	<u>34,031</u>	<u>177,920</u>	<u>211,951</u>
Total cash and cash equivalents:	411,396	410,483	34,031	177,920	1,033,830
Notes receivable	1,171,812	72,718	0	0	1,244,530
Accrued interest receivable	16,460	2,355	0	36	18,851
Other assets	<u>167,269</u>	<u>1,485</u>	<u>0</u>	<u>0</u>	<u>168,754</u>
Total current assets	<u>1,766,937</u>	<u>487,041</u>	<u>34,031</u>	<u>177,956</u>	<u>2,465,965</u>
Notes receivable, less current portion	6,873,447	770,530	0	0	7,643,977
Less allowance for loan losses	<u>645,700</u>	<u>42,200</u>	<u>0</u>	<u>0</u>	<u>687,900</u>
Notes receivable, less current, net of allowance	6,227,747	728,330	0	0	6,956,077
<b>Total assets</b>	<b><u>\$ 7,994,684</u></b>	<b><u>\$ 1,215,371</u></b>	<b><u>\$ 34,031</u></b>	<b><u>\$ 177,956</u></b>	<b><u>\$ 9,422,042</u></b>
<u>Liabilities</u>					
Current Liabilities:					
Interfund note payable	\$ 2,825,000	\$ 0	\$ 0	\$ 0	\$ 2,825,000
Notes payable	146,899	0	0	0	146,899
Escrow and reserve accounts	0	0	0	175,205	175,205
Accounts payable and accrued expenses	1,286	0	0	0	1,286
Interfund accounts payable	15,654	5,065	955	0	21,674
Due to State of Vermont	0	0	33,076	2,751	35,827
Accrued interest payable	<u>14,507</u>	<u>2,800</u>	<u>0</u>	<u>0</u>	<u>17,307</u>
Total current liabilities	3,003,346	7,865	34,031	177,956	3,223,198
Notes payable, less current portion	<u>3,802,236</u>	<u>750,000</u>	<u>0</u>	<u>0</u>	<u>4,552,236</u>
<b>Total liabilities</b>	<b><u>\$ 6,805,582</u></b>	<b><u>\$ 757,865</u></b>	<b><u>\$ 34,031</u></b>	<b><u>\$ 177,956</u></b>	<b><u>\$ 7,775,434</u></b>
<b>Unrestricted net assets</b>	<b><u>\$ 1,189,102</u></b>	<b><u>\$ 457,506</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,646,608</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 7,994,684</u></b>	<b><u>\$ 1,215,371</u></b>	<b><u>\$ 34,031</u></b>	<b><u>\$ 177,956</u></b>	<b><u>\$ 9,422,042</u></b>



Vermont Economic Development Authority  
(A Component Unit of the State of Vermont)  
Combining Balance Sheet - Non-Major Funds  
as of June 30, 2009

<u>Assets</u>	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:					
Cash and cash equivalents:					
Unrestricted	\$ 189,119	\$ 159,263	\$ 0	\$ 0	\$ 348,382
Restricted	<u>0</u>	<u>0</u>	<u>57,994</u>	<u>174,866</u>	<u>232,860</u>
Total cash and cash equivalents:	189,119	159,263	57,994	174,866	581,242
Notes receivable	934,386	0	0	0	934,386
Accrued interest receivable	17,356	0	0	25	17,381
Other assets	<u>0</u>	<u>0</u>	<u>6,829</u>	<u>0</u>	<u>6,829</u>
Total current assets	<u>1,140,861</u>	<u>159,263</u>	<u>64,823</u>	<u>174,891</u>	<u>1,539,838</u>
Notes receivable, less current portion	5,454,966	0	0	0	5,454,966
Less allowance for loan losses	<u>643,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>643,000</u>
Notes receivable, less current, net of allowance	4,811,966	0	0	0	4,811,966
<b>Total assets</b>	<b><u>\$ 5,952,827</u></b>	<b><u>\$ 159,263</u></b>	<b><u>\$ 64,823</u></b>	<b><u>\$ 174,891</u></b>	<b><u>\$ 6,351,804</u></b>
<u>Liabilities</u>					
Current Liabilities:					
Interfund note payable	\$ 1,500,000	\$ 0	\$ 0	\$ 0	\$ 1,500,000
Notes payable	145,446	0	0	0	145,446
Escrow and reserve accounts	0	0	0	170,580	170,580
Accounts payable and accrued expenses	12,646	6,823	185	0	19,654
Interfund accounts payable	27,856	7,095	1,265	0	36,216
Due to State of Vermont	0	0	63,373	4,311	67,684
Accrued interest payable	<u>12,916</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,916</u>
Total current liabilities	1,698,864	13,918	64,823	174,891	1,952,496
Notes payable, less current portion	<u>3,199,134</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,199,134</u>
<b>Total liabilities</b>	<b><u>\$ 4,897,998</u></b>	<b><u>\$ 13,918</u></b>	<b><u>\$ 64,823</u></b>	<b><u>\$ 174,891</u></b>	<b><u>\$ 5,151,630</u></b>
<b>Unrestricted net assets</b>	<b><u>\$ 1,054,829</u></b>	<b><u>\$ 145,345</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,200,174</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 5,952,827</u></b>	<b><u>\$ 159,263</u></b>	<b><u>\$ 64,823</u></b>	<b><u>\$ 174,891</u></b>	<b><u>\$ 6,351,804</u></b>

**Vermont Economic Development Authority**  
 (A Component Unit of the State of Vermont)  
**Combining Statement of Revenues, Expenses and Changes in Net Assets -**  
**Non-Major Funds**  
**For the year ended June 30, 2010**

	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
<b>Operating Revenues:</b>					
Cash and investment interest	\$ 507	\$ 941	\$ 172	\$ 394	\$ 2,014
Notes receivable interest	356,121	19,772	0	0	375,893
Other revenues	<u>40,284</u>	<u>247,733</u>	<u>57,717</u>	<u>0</u>	<u>345,734</u>
Total operating revenues	<u>396,912</u>	<u>268,446</u>	<u>57,889</u>	<u>394</u>	<u>723,641</u>
<b>Operating Expenses:</b>					
Interest on notes payable	35,037	2,800	0	0	37,837
Interfund interest	28,336	0	0	0	28,336
Provision for loan losses	178,146	42,200	0	0	220,346
Provision for losses on insured loans	0	0	0	69,670	69,670
Professional fees	18,836	15,667	10,389	0	44,892
Interfund expense allocation	<u>189,784</u>	<u>83,118</u>	<u>16,560</u>	<u>15</u>	<u>289,477</u>
Total operating expenses	<u>450,139</u>	<u>143,785</u>	<u>26,949</u>	<u>69,685</u>	<u>690,558</u>
<b>Operating (loss) income</b>	<b>(53,227)</b>	<b>124,661</b>	<b>30,940</b>	<b>(69,291)</b>	<b>33,083</b>
<b>Non-Operating Revenue (Expense):</b>					
Non-operating (expense) revenue from State	0	0	(30,940)	69,291	<u>38,351</u>
Interfund non-operating revenue	<u>187,500</u>	<u>187,500</u>	<u>0</u>	<u>0</u>	<u>375,000</u>
Total non-operating revenue (expense)	<u>187,500</u>	<u>187,500</u>	<u>(30,940)</u>	<u>69,291</u>	<u>413,351</u>
<b>Net increase in net assets</b>	<b>134,273</b>	<b>312,161</b>	<b>0</b>	<b>0</b>	<b>446,434</b>
Net assets at beginning of year	<u>1,054,829</u>	<u>145,345</u>	<u>0</u>	<u>0</u>	<u>1,200,174</u>
Net assets at end of year	<u>\$ 1,189,102</u>	<u>\$ 457,506</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,646,608</u>

Vermont Economic Development Authority  
(A Component Unit of the State of Vermont)  
Combining Statement of Revenues, Expenses and Changes in Net Assets -  
Non-Major Funds  
For the year ended June 30, 2009

	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Operating Revenues:					
Cash and investment interest	\$ 6,177	\$ 1,081	\$ 526	\$ 730	\$ 8,514
Notes receivable interest	307,509	0	0	0	307,509
Other revenues	<u>27,768</u>	<u>221,557</u>	<u>75,040</u>	<u>0</u>	<u>324,365</u>
Total operating revenues	<u>341,454</u>	<u>222,638</u>	<u>75,566</u>	<u>730</u>	<u>640,388</u>
Operating Expenses:					
Interest on notes payable	32,307	0	0	0	32,307
Interfund interest	29,513	0	0	0	29,513
Provision for loan losses	337,994	0	0	0	337,994
Provision for losses on insured loans	0	0	513,163	7,519	520,682
Staff salaries, expenses, and benefits	0	45,000	0	0	45,000
Professional fees	29,516	13,624	116,587	0	159,727
Interfund expense allocation	<u>155,162</u>	<u>71,767</u>	<u>22,761</u>	<u>60</u>	<u>249,750</u>
Total operating expenses	<u>584,492</u>	<u>130,391</u>	<u>652,511</u>	<u>7,579</u>	<u>1,374,973</u>
<b>Operating (loss) income</b>	<b>(243,038)</b>	<b>92,247</b>	<b>(576,945)</b>	<b>(6,849)</b>	<b>(734,585)</b>
Non-Operating Revenue:					
Non-operating revenue from State of Vermont	<u>0</u>	<u>0</u>	<u>576,945</u>	<u>6,849</u>	<u>583,794</u>
Total non-operating revenue	<u>0</u>	<u>0</u>	<u>576,945</u>	<u>6,849</u>	<u>583,794</u>
<b>Net (decrease) increase in net assets</b>	<b>(243,038)</b>	<b>92,247</b>	<b>0</b>	<b>0</b>	<b>(150,791)</b>
Net assets at beginning of year	1,297,867	53,098	0	0	1,350,965
Net assets at end of year	<u>\$ 1,054,829</u>	<u>\$ 145,345</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,200,174</u>

**Vermont Economic Development Authority**  
**(A Component Unit of the State of Vermont)**  
**Combining Statement of Cash Flows - Non-Major Funds**  
**For the Year Ended June 30, 2010**

	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	Mortgage Insurance Program	Financial Access Program	Non-Major Funds Combined
Cash flows from operating activities:					
Interest received on notes receivable	\$ 357,017	\$ 17,417	\$ 0	\$ 0	\$ 374,434
Other revenues received	40,284	247,733	57,717	0	345,734
Operating expenses paid other than interest	(399,451)	(109,123)	(20,615)	(15)	(529,204)
Receipts from participating banks, net	0	0	0	4,614	4,614
Principal received on notes receivable	1,323,832	46,587	0	0	1,370,419
Principal disbursed on notes receivable	<u>(3,481,404)</u>	<u>(712,242)</u>	<u>0</u>	<u>0</u>	<u>(4,193,646)</u>
Cash (used for) provided by operating activities	<u>(2,159,722)</u>	<u>(509,628)</u>	<u>37,102</u>	<u>4,599</u>	<u>(2,627,649)</u>
Cash flows from non-capital financing activities:					
Interest paid on notes payable	(33,446)	0	0	0	(33,446)
Interfund interest paid	(28,336)	0	0	0	(28,336)
Interfund non-operating income received	187,500	187,500	0	0	375,000
Interfund transfer of notes receivable for cash	326,219	(177,593)	0	0	148,626
Non-operating income (paid to) received from State	0	0	(61,237)	67,731	6,494
Proceeds from interfund note payable	1,700,000	0	0	0	1,700,000
Payments on interfund notes payable	(375,000)	0	0	0	(375,000)
Proceeds from notes payable	750,000	750,000	0	0	1,500,000
Payments on notes payable	(145,445)	0	0	0	(145,445)
Payments for losses on insured loans, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>(69,670)</u>	<u>(69,670)</u>
Cash provided by (used for) non-capital financing activities	<u>2,381,492</u>	<u>759,907</u>	<u>(61,237)</u>	<u>(1,939)</u>	<u>3,078,223</u>
Cash flows from investing activities:					
Interest received on cash and investments	507	941	172	394	2,014
Net cash provided by investing activities	<u>507</u>	<u>941</u>	<u>172</u>	<u>394</u>	<u>2,014</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>222,277</b>	<b>251,220</b>	<b>(23,963)</b>	<b>3,054</b>	<b>452,588</b>
Cash and cash equivalents at beginning of year	<u>189,119</u>	<u>159,263</u>	<u>57,994</u>	<u>174,866</u>	<u>581,242</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 411,396</b>	<b>\$ 410,483</b>	<b>\$ 34,031</b>	<b>\$ 177,920</b>	<b>\$ 1,033,830</b>
Reconciliation of Operating (Loss) Income to Cash (Used For) Provided By Operating Activities:					
Operating (loss) income	\$ (53,227)	\$ 124,661	\$ 30,940	\$ (69,291)	\$ 33,083
Adjustments to reconcile operating (loss) income to cash (used for) provided by operating activities:					
Interest income on investment activities	(507)	(941)	(172)	(394)	(2,014)
Interest paid on notes payable	35,037	2,800	0	0	37,837
Interest paid for interfund financing activities	28,336	0	0	0	28,336
Provision for loan losses	178,146	42,200	0	0	220,346
Provision for losses on insured loans	0	0	0	69,670	69,670
Interfund transfer of notes receivable	(326,219)	177,593	0	0	(148,626)
Changes in assets and liabilities:					
Notes receivable	(1,655,907)	(843,248)	0	0	(2,499,155)
Allowance for loan losses	(175,446)	0	0	0	(175,446)
Accrued interest receivable	896	(2,355)	0	(11)	(1,470)
Other assets	(167,269)	(1,485)	6,829	0	(161,925)
Escrow and reserve accounts	0	0	0	4,625	4,625
Accounts payable and accrued expenses	(11,360)	(6,823)	(185)	0	(18,368)
Interfund accounts payable	<u>(12,202)</u>	<u>(2,030)</u>	<u>(310)</u>	<u>0</u>	<u>(14,542)</u>
Cash (used for) provided by operating activities	<u>\$ (2,159,722)</u>	<u>\$ (509,628)</u>	<u>\$ 37,102</u>	<u>\$ 4,599</u>	<u>\$ (2,627,649)</u>

**Vermont Economic Development Authority**  
**(A Component Unit of the State of Vermont)**  
**Combining Statement of Cash Flows - Non-Major Funds**  
**For the Year Ended June 30, 2009**

	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
<b>Cash flows from operating activities:</b>					
Interest received on notes receivable	\$ 303,347	\$ 0	\$ 0	\$ 80	\$ 303,427
Other revenues received	27,768	221,557	75,040	0	324,365
Operating expenses paid other than interest	(160,853)	(125,034)	(193,003)	(60)	(478,950)
Receipts from participating banks, net	0	0	0	6,786	6,786
Principal received on notes receivable	759,324	0	0	0	759,324
Principal disbursed on notes receivable	<u>(2,439,558)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,439,558)</u>
Cash (used for) provided by operating activities	<u>(1,509,972)</u>	<u>96,523</u>	<u>(117,963)</u>	<u>6,806</u>	<u>(1,524,606)</u>
<b>Cash flows from non-capital financing activities:</b>					
Interest paid on notes payable	(32,954)	0	0	0	(32,954)
Interfund interest paid	(29,513)	0	0	0	(29,513)
Non-operating income received from State of Vermont	0	0	963,311	25,058	988,369
Proceeds from interfund note payable	650,000	0	0	0	650,000
Payments on interfund notes payable	(100,000)	0	0	0	(100,000)
Proceeds from notes payable	562,500	0	0	0	562,500
Payments on notes payable	(119,909)	0	0	0	(119,909)
Payments for losses on insured loans, net	<u>0</u>	<u>0</u>	<u>(813,163)</u>	<u>(27,702)</u>	<u>(840,865)</u>
Net cash provided (used for) by non-capital financing activities	<u>930,124</u>	<u>0</u>	<u>150,148</u>	<u>(2,644)</u>	<u>1,077,628</u>
<b>Cash flows from investing activities:</b>					
Interest received on cash and investments	<u>6,177</u>	<u>1,081</u>	<u>526</u>	<u>730</u>	<u>8,514</u>
Net cash provided by investing activities	<u>6,177</u>	<u>1,081</u>	<u>526</u>	<u>730</u>	<u>8,514</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b><u>(573,671)</u></b>	<b><u>97,604</u></b>	<b><u>32,711</u></b>	<b><u>4,892</u></b>	<b><u>(438,464)</u></b>
Cash and cash equivalents at beginning of year	<u>762,790</u>	<u>61,659</u>	<u>25,283</u>	<u>169,974</u>	<u>1,019,706</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 189,119</u></b>	<b><u>\$ 159,263</u></b>	<b><u>\$ 57,994</u></b>	<b><u>\$ 174,866</u></b>	<b><u>\$ 581,242</u></b>
<b>Reconciliation of Operating (Loss) Income to Cash (Used For) Provided By Operating Activities:</b>					
Operating (loss) income	\$ (243,038)	\$ 92,247	\$ (576,945)	\$ (6,849)	\$ (734,585)
<b>Adjustments to reconcile operating (loss) income to cash (used for) provided by operating activities:</b>					
Interest income on investment activities	(6,177)	(1,081)	(526)	(730)	(8,514)
Interest expense paid on notes payable	32,307	0	0	0	32,307
Interest paid for interfund financing activities	29,513	0	0	0	29,513
Provision for loan losses	337,994	0	0	0	337,994
Provision for losses on insured loans	0	0	513,163	7,519	520,682
<b>Changes in assets and liabilities:</b>					
Notes receivable	(1,623,040)	0	0	0	(1,623,040)
Allowance for loan losses	(57,194)	0	0	0	(57,194)
Accrued interest receivable	(4,162)	0	0	80	(4,082)
Other assets	500	1,960	(6,829)	0	(4,369)
Escrow and reserve accounts	0	0	0	6,786	6,786
Accounts payable and accrued expenses	9,705	1,534	(9,997)	0	1,242
Interfund accounts payable	<u>13,620</u>	<u>1,863</u>	<u>(36,829)</u>	<u>0</u>	<u>(21,346)</u>
Cash (used for) provided by operating activities	<u>\$ (1,509,972)</u>	<u>\$ 96,523</u>	<u>\$ (117,963)</u>	<u>\$ 6,806</u>	<u>\$ (1,524,606)</u>

Vermont Small Business Development Corporation  
(A Component Unit of the Vermont Economic Development Authority)  
Combining Balance Sheet  
as of June 30, 2010 and 2009

	as of June 30, 2010			as of June 30, 2009		
	VSBDC	VSBDC	VSBDC	VSBDC	VSBDC	VSBDC
	IRP	Loan	Combined	IRP	Loan	Combined
	Fund	Fund	Total	Fund	Fund	Total
<b><u>Assets</u></b>						
Current Assets:						
Unrestricted cash and cash equivalents	\$ 346,546	\$ 64,850	\$ 411,396	\$ 76,049	\$ 113,070	\$ 189,119
Notes receivable	603,846	567,966	1,171,812	612,593	321,793	934,386
Accrued interest receivable	10,702	5,758	16,460	10,682	6,674	17,356
Other assets	<u>167,269</u>	<u>0</u>	<u>167,269</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total current assets	<u>1,128,363</u>	<u>638,574</u>	<u>1,766,937</u>	<u>699,324</u>	<u>441,537</u>	<u>1,140,861</u>
Notes receivable, less current portion	4,143,942	2,729,505	6,873,447	3,690,941	1,764,025	5,454,966
Less allowance for loan losses	<u>335,800</u>	<u>309,900</u>	<u>645,700</u>	<u>354,700</u>	<u>288,300</u>	<u>643,000</u>
Notes receivable, less current portion, net of allowance	<u>3,808,142</u>	<u>2,419,605</u>	<u>6,227,747</u>	<u>3,336,241</u>	<u>1,475,725</u>	<u>4,811,966</u>
<b>Total assets</b>	<b><u>\$ 4,936,505</u></b>	<b><u>\$ 3,058,179</u></b>	<b><u>\$ 7,994,684</u></b>	<b><u>\$ 4,035,565</u></b>	<b><u>\$ 1,917,262</u></b>	<b><u>\$ 5,952,827</u></b>
<b><u>Liabilities</u></b>						
Current Liabilities:						
Interfund note payable	\$ 0	\$ 2,825,000	\$ 2,825,000	\$ 0	\$ 1,500,000	\$ 1,500,000
Notes payable	146,899	0	146,899	145,446	0	145,446
Accounts payable and accrued expenses	1,286	0	1,286	4,158	8,488	12,646
Interfund accounts payable	10,884	4,770	15,654	11,249	16,607	27,856
Accrued interest payable	<u>14,507</u>	<u>0</u>	<u>14,507</u>	<u>12,916</u>	<u>0</u>	<u>12,916</u>
Total current liabilities	173,576	2,829,770	3,003,346	173,769	1,525,095	1,698,864
Notes payable, less current portion	<u>3,802,236</u>	<u>0</u>	<u>3,802,236</u>	<u>3,199,134</u>	<u>0</u>	<u>3,199,134</u>
<b>Total liabilities</b>	<b><u>3,975,812</u></b>	<b><u>2,829,770</u></b>	<b><u>6,805,582</u></b>	<b><u>3,372,903</u></b>	<b><u>1,525,095</u></b>	<b><u>4,897,998</u></b>
<b>Unrestricted net assets</b>	<b><u>960,693</u></b>	<b><u>228,409</u></b>	<b><u>1,189,102</u></b>	<b><u>662,662</u></b>	<b><u>392,167</u></b>	<b><u>1,054,829</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 4,936,505</u></b>	<b><u>\$ 3,058,179</u></b>	<b><u>\$ 7,994,684</u></b>	<b><u>\$ 4,035,565</u></b>	<b><u>\$ 1,917,262</u></b>	<b><u>\$ 5,952,827</u></b>

Vermont Small Business Development Corporation  
(A Component Unit of the Vermont Economic Development Authority)  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2010 and 2009

	For the Year Ended June 30, 2010			For the Year Ended June 30, 2009		
	VSBDC	VSBDC	VSBDC	VSBDC	VSBDC	VSBDC
	IRP	Loan	Combined	IRP	Loan	Combined
	Fund	Fund	Total	Fund	Fund	Total
<b>Operating Revenues:</b>						
Cash and investment interest	\$ (50)	\$ 557	\$ 507	\$ 4,682	\$ 1,495	\$ 6,177
Notes receivable interest	232,993	123,128	356,121	221,759	85,750	307,509
Other revenues	<u>14,034</u>	<u>26,250</u>	<u>40,284</u>	<u>19,808</u>	<u>7,960</u>	<u>27,768</u>
Total operating revenues	<u>246,977</u>	<u>149,935</u>	<u>396,912</u>	<u>246,249</u>	<u>95,205</u>	<u>341,454</u>
<b>Operating Expenses:</b>						
Interest on notes payable	35,037	0	35,037	32,307	0	32,307
Interfund note payable interest	0	28,336	28,336	0	29,513	29,513
Provision for loan losses	(5,075)	183,221	178,146	163,594	174,400	337,994
Professional fees	15,342	3,494	18,836	19,794	9,722	29,516
Inter-fund expense allocation	<u>91,142</u>	<u>98,642</u>	<u>189,784</u>	<u>99,198</u>	<u>55,964</u>	<u>155,162</u>
Total operating expenses	<u>136,446</u>	<u>313,693</u>	<u>450,139</u>	<u>314,893</u>	<u>269,599</u>	<u>584,492</u>
<b>Operating income (loss)</b>	<b>110,531</b>	<b>(163,758)</b>	<b>(53,227)</b>	<b>(68,644)</b>	<b>(174,394)</b>	<b>(243,038)</b>
Non-operating revenue	<u>187,500</u>	<u>0</u>	<u>187,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net increase (decrease) in net assets</b>	<b>298,031</b>	<b>(163,758)</b>	<b>134,273</b>	<b>(68,644)</b>	<b>(174,394)</b>	<b>(243,038)</b>
Net assets at beginning of year	<u>662,662</u>	<u>392,167</u>	<u>1,054,829</u>	<u>731,306</u>	<u>566,561</u>	<u>1,297,867</u>
Net assets at end of year	<u>\$ 960,693</u>	<u>\$ 228,409</u>	<u>\$ 1,189,102</u>	<u>\$ 662,662</u>	<u>\$ 392,167</u>	<u>\$ 1,054,829</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, 2010 and 2009

	For the Year Ended June 30, 2010			For the Year Ended June 30, 2009		
	VSBDC	VSBDC	VSBDC	VSBDC	VSBDC	VSBDC
	IRP	Loan	Combined	IRP	Loan	Combined
	Fund	Fund	Total	Fund	Fund	Total
<b>Cash flows from operating activities:</b>						
Interest received on notes receivable	\$ 232,973	\$ 124,044	\$ 357,017	\$ 219,657	\$ 83,690	\$ 303,347
Other revenues received	14,034	26,250	40,284	19,808	7,960	27,768
Operating expenses paid other than interest	(276,990)	(122,461)	(399,451)	27,625	(188,478)	(160,853)
Principal received on notes receivable	924,070	399,762	1,323,832	395,977	363,347	759,324
Principal disbursed on notes receivable	<u>(1,206,375)</u>	<u>(2,275,029)</u>	<u>(3,481,404)</u>	<u>(1,581,657)</u>	<u>(857,901)</u>	<u>(2,439,558)</u>
Cash used for operating activities	<u>(312,288)</u>	<u>(1,847,434)</u>	<u>(2,159,722)</u>	<u>(918,590)</u>	<u>(591,382)</u>	<u>(1,509,972)</u>
<b>Cash flows from noncapital financing activities:</b>						
Interest paid on notes payable	(33,446)	0	(33,446)	(32,954)	0	(32,954)
Interest paid on interfund note payable	0	(28,336)	(28,336)	0	(29,513)	(29,513)
Interfund non-operating revenue (expense)	187,500	0	187,500	0	0	0
Interfund transfer of notes receivable for cash	(175,774)	501,993	326,219	0	0	0
Proceeds from interfund note payable	0	1,700,000	1,700,000	0	650,000	650,000
Payments on interfund note payable	0	(375,000)	(375,000)	0	(100,000)	(100,000)
Proceeds from notes payable	750,000	0	750,000	562,500	0	562,500
Payments on notes payable	<u>(145,445)</u>	<u>0</u>	<u>(145,445)</u>	<u>(119,909)</u>	<u>0</u>	<u>(119,909)</u>
Cash provided by noncapital financing activities	<u>582,835</u>	<u>1,798,657</u>	<u>2,381,492</u>	<u>409,637</u>	<u>520,487</u>	<u>930,124</u>
<b>Cash flows from investing activities:</b>						
Interest received on cash and investments	<u>(50)</u>	<u>557</u>	<u>507</u>	<u>4,682</u>	<u>1,495</u>	<u>6,177</u>
Net cash (used for) provided by investing activities	<u>(50)</u>	<u>557</u>	<u>507</u>	<u>4,682</u>	<u>1,495</u>	<u>6,177</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>270,497</b>	<b>(48,220)</b>	<b>222,277</b>	<b>(504,271)</b>	<b>(69,400)</b>	<b>(573,671)</b>
Cash and cash equivalents at beginning of year	<u>76,049</u>	<u>113,070</u>	<u>189,119</u>	<u>580,320</u>	<u>182,470</u>	<u>762,790</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>346,546</u></b>	<b>\$ <u>64,850</u></b>	<b>\$ <u>411,396</u></b>	<b>\$ <u>76,049</u></b>	<b>\$ <u>113,070</u></b>	<b>\$ <u>189,119</u></b>
<b>Reconciliation of Operating Income to Cash Used For Operating Activities:</b>						
<b>Cash flows from operating activities:</b>						
<b>Operating income (loss)</b>	<b>\$ 110,531</b>	<b>\$ (163,758)</b>	<b>\$ (53,227)</b>	<b>\$ (68,644)</b>	<b>\$ (174,394)</b>	<b>\$ (243,038)</b>
<b>Adjustments to reconcile operating income to cash used for operating activities:</b>						
Interest income on investment activities	50	(557)	(507)	(4,682)	(1,495)	(6,177)
Interest expense on notes payable	35,037	0	35,037	32,307	0	32,307
Interest paid for interfund financing activities	0	28,336	28,336	0	29,513	29,513
Provision for loan losses	(5,075)	183,221	178,146	163,594	174,400	337,994
Interfund transfer of notes receivable	175,774	(501,993)	(326,219)	0	0	0
<b>Changes in assets and liabilities:</b>						
Notes receivable	(444,254)	(1,211,653)	(1,655,907)	(1,128,486)	(494,554)	(1,623,040)
Allowance for loan losses	(13,825)	(161,621)	(175,446)	(57,194)	0	(57,194)
Accrued interest receivable	(20)	916	896	(2,102)	(2,060)	(4,162)
Other assets	(167,269)	0	(167,269)	2	498	500
Accounts payable and accrued expenses	(2,872)	(8,488)	(11,360)	1,297	8,408	9,705
Interfund accounts payable	<u>(365)</u>	<u>(11,837)</u>	<u>(12,202)</u>	<u>145,318</u>	<u>(131,698)</u>	<u>13,620</u>
Cash used for operating activities	<u>(312,288)</u>	<u>(1,847,434)</u>	<u>(2,159,722)</u>	<u>(918,590)</u>	<u>(591,382)</u>	<u>(1,509,972)</u>



Vermont 504 Corporation  
(A Component Unit of the Vermont Economic Development Authority)  
Combining Balance Sheet  
as of June 30, 2010 and 2009

	as of June 30, 2010			as of June 30, 2009		
	VT504	VT504	VT504	VT504	VT504	VT504
	IRP	SBA CDC	Combined	IRP	SBA CDC	Combined
	Fund	Fund	Total	Fund	Fund	Total
<b>Assets</b>						
Current Assets:						
Unrestricted cash and cash equivalents	\$ 117,809	\$ 292,674	\$ 410,483	\$ 0	\$ 159,263	\$ 159,263
Notes receivable	72,718	0	72,718	0	0	0
Accrued interest receivable	2,355	0	2,355	0	0	0
Other assets	<u>0</u>	<u>1,485</u>	<u>1,485</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total current assets	<u>192,882</u>	<u>294,159</u>	<u>487,041</u>	<u>0</u>	<u>159,263</u>	<u>159,263</u>
Notes receivable, less current portion	770,530	0	770,530	0	0	0
Less allowance for loan losses	<u>42,200</u>	<u>0</u>	<u>42,200</u>	<u>0</u>	<u>0</u>	<u>0</u>
Notes receivable, less current portion, net of allowance	<u>728,330</u>	<u>0</u>	<u>728,330</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total assets</b>	<b>\$ 921,212</b>	<b>\$ 294,159</b>	<b>\$ 1,215,371</b>	<b>\$ 0</b>	<b>\$ 159,263</b>	<b>\$ 159,263</b>
<b>Liabilities</b>						
Current Liabilities:						
Notes payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable and accrued expenses	0	0	0	0	6,823	6,823
Interfund accounts payable	0	5,065	5,065	0	7,095	7,095
Accrued interest payable	<u>2,800</u>	<u>0</u>	<u>2,800</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total current liabilities	2,800	5,065	7,865	0	13,918	13,918
Notes payable, less current portion	<u>750,000</u>	<u>0</u>	<u>750,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total liabilities</b>	<b>752,800</b>	<b>5,065</b>	<b>757,865</b>	<b>0</b>	<b>13,918</b>	<b>13,918</b>
<b>Unrestricted net assets</b>	<b>168,412</b>	<b>289,094</b>	<b>457,506</b>	<b>0</b>	<b>145,345</b>	<b>145,345</b>
<b>Total liabilities and net assets</b>	<b>\$ 921,212</b>	<b>\$ 294,159</b>	<b>\$ 1,215,371</b>	<b>\$ 0</b>	<b>\$ 159,263</b>	<b>\$ 159,263</b>

Vermont 504 Corporation  
(A Component Unit of the Vermont Economic Development Authority)  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2010 and 2009

	For the Year Ended June 30, 2010			For the Year Ended June 30, 2009		
	VT504	VT504	VT504	VT504	VT504	VT504
	IRP	SBA CDC	Combined	IRP	SBA CDC	Combined
	Fund	Fund	Total	Fund	Fund	Total
<b>Operating Revenues:</b>						
Cash and investment interest	\$ 0	\$ 941	\$ 941	\$ 0	\$ 1,081	\$ 1,081
Notes receivable interest	19,772	0	19,772	0	0	0
Other revenues	<u>6,145</u>	<u>241,588</u>	<u>247,733</u>	<u>0</u>	<u>221,557</u>	<u>221,557</u>
Total operating revenues	<u>25,917</u>	<u>242,529</u>	<u>268,446</u>	<u>0</u>	<u>222,638</u>	<u>222,638</u>
<b>Operating Expenses:</b>						
Interest on notes payable	2,800	0	2,800	0	0	0
Provision for loan losses	42,200	0	42,200	0	0	0
Professional fees	0	15,667	15,667	0	13,624	13,624
Staff salaries, expenses, and benefits	0	0	0	0	45,000	45,000
Inter-fund expense allocation	<u>5</u>	<u>83,113</u>	<u>83,118</u>	<u>0</u>	<u>71,767</u>	<u>71,767</u>
Total operating expenses	<u>45,005</u>	<u>98,780</u>	<u>143,785</u>	<u>0</u>	<u>130,391</u>	<u>130,391</u>
<b>Operating (loss) income</b>	<b>(19,088)</b>	<b>143,749</b>	<b>124,661</b>	<b>0</b>	<b>92,247</b>	<b>92,247</b>
Non-operating revenue	<u>187,500</u>	<u>0</u>	<u>187,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net increase in net assets</b>	<b>168,412</b>	<b>143,749</b>	<b>312,161</b>	<b>0</b>	<b>92,247</b>	<b>92,247</b>
Net assets at beginning of year	<u>0</u>	<u>145,345</u>	<u>145,345</u>	<u>0</u>	<u>53,098</u>	<u>53,098</u>
Net assets at end of year	<u>\$ 168,412</u>	<u>\$ 289,094</u>	<u>\$ 457,506</u>	<u>\$ 0</u>	<u>\$ 145,345</u>	<u>\$ 145,345</u>

**Vermont 504 Corporation**  
(A Component Unit of the Vermont Economic Development Authority)  
**Combining Statement of Cash Flows**  
For the Years Ended June 30, 2010 and 2009

	For the Year Ended June 30, 2010			For the Year Ended June 30, 2009		
	VT504	VT504	VT504	VT504	VT504	VT504
	IRP	SBA CDC	Combined	IRP	SBA CDC	Combined
	Fund	Fund	Total	Fund	Fund	Total
<b>Cash flows from operating activities:</b>						
Interest received on notes receivable	\$ 17,417	\$ 0	\$ 17,417	\$ 0	\$ 0	\$ 0
Other revenues received	6,145	241,588	247,733	0	221,557	221,557
Operating expenses paid other than interest	(5)	(109,118)	(109,123)	0	(125,034)	(125,034)
Principal received on notes receivable	46,587	0	46,587	0	0	0
Principal disbursed on notes receivable	<u>(712,242)</u>	<u>0</u>	<u>(712,242)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash (used for) provided by operating activities	<u>(642,098)</u>	<u>132,470</u>	<u>(509,628)</u>	<u>0</u>	<u>96,523</u>	<u>96,523</u>
<b>Cash flows from noncapital financing activities:</b>						
Interfund non-operating revenue (expense)	\$ 187,500	\$ 0	\$ 187,500	\$ 0	\$ 0	\$ 0
Interfund transfer of notes receivable for cash	(177,593)	0	(177,593)	0	0	0
Proceeds from notes payable	<u>750,000</u>	<u>0</u>	<u>750,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash provided by noncapital financing activities	<u>759,907</u>	<u>0</u>	<u>759,907</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash flows from investing activities:</b>						
Interest received on cash and investments	<u>0</u>	<u>941</u>	<u>941</u>	<u>0</u>	<u>1,081</u>	<u>1,081</u>
Net cash provided by investing activities	<u>0</u>	<u>941</u>	<u>941</u>	<u>0</u>	<u>1,081</u>	<u>1,081</u>
<b>Net increase in cash and cash equivalents</b>	<b>117,809</b>	<b>133,411</b>	<b>251,220</b>	<b>0</b>	<b>97,604</b>	<b>97,604</b>
Cash and cash equivalents at beginning of year	<u>0</u>	<u>159,263</u>	<u>159,263</u>	<u>0</u>	<u>61,659</u>	<u>61,659</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 117,809</b>	<b>\$ 292,674</b>	<b>\$ 410,483</b>	<b>\$ 0</b>	<b>\$ 159,263</b>	<b>\$ 159,263</b>
<b>Reconciliation of Operating Income to Cash (Used for) Provided By Operating Activities:</b>						
<b>Cash flows from operating activities:</b>						
<b>Operating (loss) income</b>	<b>\$ (19,088)</b>	<b>\$ 143,749</b>	<b>\$ 124,661</b>	<b>\$ 0</b>	<b>\$ 92,247</b>	<b>\$ 92,247</b>
<b>Adjustments to reconcile operating income to cash (used for) provided by operating activities:</b>						
Interest income on investment activities	0	(941)	(941)	0	(1,081)	(1,081)
Interest expense on notes payable	2,800	0	2,800	0	0	0
Provision for loan losses	42,200	0	42,200	0	0	0
Interfund transfer of notes receivable	177,593	0	177,593	0	0	0
<b>Changes in assets and liabilities:</b>						
Notes receivable	(843,248)	0	(843,248)	0	0	0
Accrued interest receivable	(2,355)	0	(2,355)	0	0	0
Other assets	0	(1,485)	(1,485)	0	1,960	1,960
Accounts payable and accrued expenses	<u>0</u>	<u>(6,823)</u>	<u>(6,823)</u>	<u>0</u>	<u>1,534</u>	<u>1,534</u>
Interfund accounts payable	<u>0</u>	<u>(2,030)</u>	<u>(2,030)</u>	<u>0</u>	<u>1,863</u>	<u>1,863</u>
Cash (used for) provided by operating activities	<u>\$ (642,098)</u>	<u>\$ 132,470</u>	<u>\$ (509,628)</u>	<u>\$ -</u>	<u>\$ 96,523</u>	<u>\$ 96,523</u>

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