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, 2013 AND 2012

(AND REPORT OF INDEPENDENT AUDITORS')

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VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Financial Statements with Supplementary Information

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Supplementary Schedules

Date of Printing: 09/25/2013

Report on Management's Responsibility

September 16, 2013

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

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

Independent Auditors' Report

The Members of the Authority
Vermont Economic Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Vermont Economic Development Authority (the Authority), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Vermont Economic Development Authority, as of June 30, 2013 and 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Burlington, Vermont
September 16, 2013

Vt. Reg. No. 92-0000241

Introduction

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

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

The Basic Financial Statements

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

The ***Statement of Revenues, Expenses and Changes in Net Position*** reports operating revenues and expenses incurred in the normal course of business (operating income or loss) plus non-operating revenues and expenses such as 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 3** presents amounts from the *Statement of Revenues, Expenses and Changes in Net Position* in a format typical for financial institutions. In this format, interest on cash and investments is added to loan receivable interest and interest expense is subtracted to arrive at a subtotal caption "Net Interest Income". The changes in Net Interest Income are discussed in a special section of the MD&A and presented using analytic techniques found in the MD&A section of most financial institutions (refer to **Tables 5-8). Table 10** in the section titled *Asset-Liability Management* is also a presentation used in the MD&A of many financial institutions.

VEDA Flood Loans

At the end of fiscal 2011, the Authority initiated an assistance program for small businesses impacted by heavy rains and flooding that occurred in the spring of 2011. These "spring flood" loans had a maximum loan amount of $25,000. The Authority made 53 of these for a total of $1.1 million. When Tropical Storm Irene devastated many parts of Vermont in late August 2011, VEDA responded quickly with a larger and more comprehensive flood loan program to assist small businesses and family farms. Under the second, "Tropical Storm Irene" flood loan program, loans could be made for up to $100,000. VEDA made 299 of these loans for a total of $16.7 million. The spring flood and Tropical Storm Irene loan programs (collectively the "flood loans") totaled $14,278,768 and $16,603,217 at June 30, 2013 and 2012, respectively.

Statement of Net Position: Comparison 2011 to 2012 and 2012 to 2013

Table 1 compares the Statement of Net Position of VEDA for 2011-2013.

Table 1: Statement of Net Position				2011 to 2012		2012 to 2013	
Amounts in thousands	2011	2012	2013	*Chg $*	*Chg %*	*Chg $*	*Chg %*
Cash and investments	$ 28,828	$ 33,097	$ 30,831	$ 4,269	15%	$ (2,266)	-7%
Loans receivable	136,319	166,295	176,928	29,976	22%	10,633	6%
Allowance for loan losses	(3,726)	(4,743)	(5,642)	(1,017)	27%	(899)	19%
Capital assets	5,072	5,516	5,480	444	9%	(36)	-1%
Other assets	945	1,084	1,009	139	15%	(75)	-7%
Total Assets	**$ 167,438**	**$ 201,249**	**$ 208,606**	**$ 33,811**	**20%**	**$ 7,357**	**4%**
Commercial paper	$ 104,000	$ 116,300	$ 131,300	$ 12,300	12%	$ 15,000	13%
Notes payable	14,074	34,375	26,075	20,301	144%	(8,300)	-24%
Other liabilities	6,712	5,639	2,661	(1,073)	-16%	(2,978)	-53%
Total Liabilities	**124,786**	**156,314**	**160,036**	**31,528**	**25%**	**3,722**	**2%**
Restricted net position	28,598	27,329	26,756	(1,269)	-4%	(573)	-2%
Net investment in capital assets	1,958	2,520	2,610	562	29%	90	4%
Unrestricted net position	12,096	15,086	19,204	2,990	25%	4,118	27%
Total Net Position	**42,652**	**44,935**	**48,570**	**2,283**	**5%**	**3,635**	**8%**
Liabilities and Net Position	**$ 167,438**	**$ 201,249**	**$ 208,606**	**$ 33,811**	**20%**	**$ 7,357**	**4%**

Total assets increased $7.4 million in 2013, which followed an increase in total assets of $33.8 million in 2012. The primary reason for the significant increase in both 2013 and 2012 was the change in loans receivable. **Table 2** shows an increase in disbursements on loans receivable of $10.9 million in 2012 due primarily to the flood loans. In 2013, disbursements were $37.5 million, a decline of $17.7 million compared to 2012 and a decline of $6.8 million compared to 2011. Annual receipts on loans receivable ranged from a low of $25.7 million in 2012 and a high of $26.9 million in 2013.

Table 2: Loans Receivable - Disbursement & Payment Activity				2011 to 2012		2012 to 2013	
Amounts in thousands	2011	2012	2013	*Chg $*	*Chg %*	*Chg $*	*Chg %*
Principal Disbursements	$ 44,278	$ 55,191	$ 37,526	10,913	25%	(17,665)	-32%
Principal Payments	(26,862)	(25,719)	(26,912)	1,143	-4%	(1,193)	5%
Net Disbursements and Payments	**$ 17,416**	**$ 29,472**	**$ 10,614**	**$ 12,056**	**69%**	**$ (18,858)**	**-64%**

The increase in outstanding loans receivable of $10.6 million in 2013 was mainly funded by an increase in the Authority's commercial paper of $15.0 million (Note 5). The outstanding balance on the Authority's line of credit decreased from $25.5 million at the end of 2012 to $17.5 million at the end of 2013.

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

Capital assets decreased by $36 thousand in 2013 due to depreciation of $255 thousand offset by capital asset purchases of $219 thousand. In 2012 capital assets increased by $444 thousand, the result of $687 thousand in new capital expenditures less depreciation of $243 thousand. The primary capital improvements in 2012 related to the completion of filling and grading of land and the construction of a safety wall on the site of the VEDA headquarters. The site had incurred serious erosion problems following the heavy rains in the spring and late summer of 2011. The Authority also completed a substantial weatherization project on its main headquarters building in 2012.

Other assets decreased by $75 thousand in 2013 due mainly to a decrease in the accrued interest on loans receivable of $81.5 thousand. Other assets increased $139 thousand in 2012, due primarily to increases in accrued interest on loans receivable of $100 thousand in the VSBDC related to the flood loans and $39 thousand in the VACC.

Other liabilities decreased in both 2013 and 2012; in both years the decrease was due primarily to reductions in "Other Liability – State of Vermont" (Note 12, "Advances") and "Deferred revenue for federal program" (Note 13).

Total Net Position increased by $3.6 million in 2013 due primarily to $2.3 million of deferred revenue earned on the federal program and $978 thousand earned from the State advances. This is similar to 2012 which had an increase of $2.3 million due primarily to $1.8 million of deferred revenue earned on the federal program plus $657 thousand of deferred appropriations earned from State advances.

Revenues, Expenses and Changes in Net Position: Comparison of 2011 to 2012 and 2012 to 2013

Table 3 shows the change in net position (results of operations) in each of the past three fiscal years and details the amount and percent of change from 2011 to 2012 and from 2012 to 2013.

Table 3: Revenues, Expenses & Changes in Net Position				**2011 to 2012**		**2012 to 2013**	
Amounts in thousands	**2011**	**2012**	**2013**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Cash and investment interest	$ 496	$ 489	$ 480	$ (7)	-1%	$ (9)	-2%
Loans receivable interest	4,576	5,131	5,567	555	12%	436	8%
less interest expense	1,531	1,747	1,913	216	14%	166	10%
Net Interest Income	**$ 3,541**	**$ 3,873**	**$ 4,134**	**$ 332**	**9%**	**$ 261**	**7%**
Add other revenues	1,434	1,005	974	(429)	-30%	(31)	-3%
Net increase in the fair value of investments	1,942	510	867	(1,432)	-74%	357	70%
Less provision for loan losses	1,702	1,192	912	(510)	-30%	(280)	-23%
Less losses on insured loans	2	1	22	(1)	-50%	21	2100%
Less All Other Expenses:							
Staff salaries and benefits	2,693	2,797	3,141	104	4%	344	12%
Professional fees	609	486	513	(123)	-20%	27	6%
Office and administrative expenses & depreciation	950	1,072	1,047	122	13%	(25)	-2%
Total All Other Expenses	**4,252**	**4,355**	**4,701**	**103**	**2%**	**346**	**8%**
Operating Income (Loss)	**$ 961**	**$ (160)**	**$ 340**	**$ (1,121)**	**-117%**	**$ 500**	**-313%**
Non-operating revenues	1,420	2,444	3,295	1,024	72%	851	35%
Change in Net Position	**$ 2,381**	**$ 2,284**	**$ 3,635**	**$ (97)**	**-4%**	**$ 1,351**	**59%**

In 2013, VEDA recorded a change in net position (i.e. net income) of $3.6 million compared to a change in net position of $2.3 million in 2012 and compared to a change in net position of $2.4 million in 2011. The 2013 change in net position was primarily due to $3.2 million in non-operating revenues combined with operating income of $340 thousand.

In 2012, the change in net position was due to $2.4 million in non-operating income offset by an operating loss of ($160) thousand. The 2011 net increase of $2.4 million was due to $1.4 million in non-operating income plus operating income of $961 thousand.

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

Other Revenue is comprised primarily of fees paid by borrowers, rental income, and fees for servicing non-VEDA programs. Other Revenue decreased by $30 thousand in 2013 compared to 2012 mostly due to a drop in commitment fees in the small business program. In 2012 they decreased $428 thousand due to lower fees related to the volume of Industrial Development Bonds closed in 2012.

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

Table 4: Change in Fair Value of Investments				2011 to 2012		2012 to 2013	
Amounts in thousands	2011	2012	2013	*Chg $*	*Chg %*	*Chg $*	*Chg %*
Unrealized gains	$ 1,180	$ 111	$ 481	$ (1,069)	-91%	$ 370	333%
Realized gains	762	399	386	(363)	-48%	(13)	-3%
Net Change in Fair Value	**$ 1,942**	**$ 510**	**$ 867**	**$ (1,432)**	**-74%**	**$ 357**	**70%**

Provision for loan losses decreased for the second year in a row in 2013. The 2013 loan loss provisions totaled $912 thousand compared with loan loss provisions in 2012 of $1.2 million and loan loss provisions of $1.7 million in 2011. More detailed information regarding loan loss provisions and the changes in the allowance for loan losses ("reserves") can be found in this section under the caption *Credit Risk Management* and in Note 4 to the basic financial statements.

All other expenses increased $346 thousand or 8% compared to an increase of $103 thousand or 2% in 2012. The components are discussed in more detail below:

Staff salaries and benefits increased by $345 thousand or 12% due to increased costs and the addition of new staff members compared to $104 thousand or 4% in 2012 due to increased costs.

Professional fees increased $41 thousand or 9% in 2013 compared to 2012. In 2012 professional fees declined by a modest $12 thousand compared with 2011. In addition to auditing and legal expense, the Authority uses consultants for information technology, loan work outs, human resource management, collateral inspections and appraisals.

Office and administrative expenses and depreciation decreased $25 thousand or -2% compared with an increase of $122 thousand or 13% in 2012. In 2013 the decrease was mostly due to a decrease in marketing expenses of $22 thousand and other variances. In 2012, higher marketing expense of $40 thousand, computer expenses of $21 thousand and other smaller variances accounted for the increase.

Changes in Net Interest Income: 2012 To 2013

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

Table 5 indicates the average yield on earning assets decreased from 3.07% in 2012 to 2.99% in 2013.

Table 5: Average Balance and Yield/Cost Comparison, 2012 to 2013

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

Interest Earning Assets and Interest Bearing Liabilities	2012 Average Balance	2012 Income or Expense	2012 Yield or Cost	2013 Average Balance	2013 Income or Expense	2013 Yield or Cost	Income or Expense Change
Interest earning assets and income:							
Cash and investments	$ 31,392	$ 489	1.56%	$ 32,589	$ 479	1.47%	$ (10)
Loans receivable, net of allowance	151,501	5,131	3.39%	169,707	5,567	3.28%	436
Total interest earning assets	**$ 182,893**	**$ 5,620**	**3.07%**	**$ 202,296**	**$ 6,046**	**2.99%**	**$ 426**
Interest bearing liabilities and expense:							
Notes payable	$ 26,252	$ 353	1.34%	$ 28,091	$ 370	1.32%	$ 17
Commercial paper	113,225	1,394	1.23%	129,800	1,543	1.19%	149
Total interest bearing liabilities	**$ 139,477**	**$ 1,747**	**1.25%**	**$ 157,891**	**$ 1,913**	**1.21%**	**$ 166**
Net Interest Income (and as % of earning assets)		**$ 3,873**	**2.12%**		**$ 4,133**	**2.04%**	**$ 260**

The average cost of interest bearing liabilities decreased from 1.25% in 2012 to 1.21% in 2013.

Table 6 sets forth information regarding changes in interest income and interest expense for 2012 compared to 2013. For each category of interest earning assets and interest bearing liabilities presented in **Table 5**, information is presented in **Table 6** with respect to: (1) Change in rate (change in rate multiplied by prior year average balance); (2) Change in balance (change in average balance multiplied by prior year rate); and (3) Change in rate/balance (change in rate multiplied by change in average balance).

Table 6: Change in Net Interest Income From 2012 to 2013

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

For Year Ended June 30, 2013 and 2012 Increases (Decreases) Due To Changes In:	Rate	Average Balance	Rate/ Balance	Total
Income on interest earning assets:				
Cash and investments	$ (28)	$ 19	$ (1)	$ (10)
Loans receivable, net of allowance	(162)	617	(19)	436
Total income on interest earning assets	**(190)**	**636**	**(20)**	**426**
Expense on interest bearing liabilities:				
Notes payable	(7)	25	(1)	17
Commercial paper	(48)	204	(7)	149
Total expense on interest bearing liabilities	**(55)**	**229**	**(8)**	**166**
Changes in net interest income	**$ (135)**	**$ 407**	**$ (12)**	**$ 260**

Table 6 shows that *Total Income on Interest Earning Assets* increased by $426 thousand in 2013 compared with 2012 due to an increase in balances offset by a decrease in rates. *Total Expense on Interest Bearing Liabilities* increased by $166 thousand in 2013 with higher balances offset by lower costs.

Table 7 sets forth the same information as **Table 5**, but for the 2011 and 2012.

Table 7: Average Balance and Yield/Cost Comparison, 2011 to 2012

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

Interest Earning Assets and Interest Bearing Liabilities	2011 Average Balance	2011 Income or Expense	2011 Yield or Cost	2012 Average Balance	2012 Income or Expense	2012 Yield or Cost	Income or Expense Change
Interest earning assets and income:							
Cash and investments	$ 29,812	$ 496	1.66%	$ 31,392	$ 489	1.56%	$ (7)
Loans receivable, net of allowance	125,113	4,576	3.66%	151,501	5,131	3.39%	555
Total interest earning assets	**$ 154,925**	**$ 5,072**	**3.27%**	**$ 182,893**	**$ 5,620**	**3.07%**	**$ 548**
Interest bearing liabilities and expense:							
Notes payable	$ 24,910	$ 400	1.61%	$ 26,252	$ 353	1.34%	$ (47)
Commercial paper	91,330	1,131	1.24%	113,225	1,394	1.23%	263
Total interest bearing liabilities	**$ 116,240**	**$ 1,531**	**1.32%**	**$ 139,477**	**$ 1,747**	**1.25%**	**$ 216**
Net Interest Income (and as % of earning assets)		**$ 3,541**	**2.29%**		**$ 3,873**	**2.12%**	**$ 332**

Table 8 presents the same information regarding **Table 7** as **Table 6** presented relative to **Table 5** for 2011 with 2012.

Table 8: Change in Net Interest Income From 2011 to 2012

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

For Year Ended June 30, 2012 and 2011 Increases (Decreases) Due To Changes In:	Rate	Average Balance	Rate/ Balance	Total
Income on interest earning assets:				
Cash and investments	$ (31)	$ 26	$ (2)	$ (7)
Loans receivable, net of allowance	(339)	965	(71)	555
Total income on interest earning assets	**(370)**	**991**	**(73)**	**548**
Expense on interest bearing liabilities:				
Notes payable	(65)	22	(4)	(47)
Commercial paper	(6)	271	(2)	263
Total expense on interest bearing liabilities	**(71)**	**293**	**(6)**	**216**
Changes in net interest income	**$ (299)**	**$ 698**	**$ (67)**	**$ 332**

Statement of Cash Flows

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

Table 9: Statement of Cash Flows				**2011 to 2012**		**2012 to 2013**	
Amounts in thousands	**2011**	**2012**	**2013**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Cash flows provided by or (used for) various activities are presented as positive or (negative) numbers, respectively							
Principal Payments Received	26,862	25,719	26,912	(1,143)	-4%	1,193	5%
Principal Disbursed on Loans	(44,278)	(55,191)	(37,526)	(10,913)	25%	17,665	-32%
All Other Operating Activities	2,364	1,405	2,366	(959)	-41%	961	68%
Operating Activities	**$ (15,052)**	**$ (28,067)**	**$ (8,248)**	**$ (13,015)**	**86%**	**$ 19,819**	**-71%**
Non-Capital Financing Acitivities	14,611	32,249	5,042	17,638	121%	(27,207)	-84%
Investing Activities	901	782	1,770	(119)	-13%	988	126%
Capital Investment Activities	(657)	(906)	(441)	(249)	38%	465	-51%
Net (decrease) increase in cash and cash equivalents	**$ (197)**	**$ 4,058**	**$ (1,877)**	**$ 4,255**	**-2160%**	**$ (5,935)**	**-146%**

Table 9 illustrates how in 2012 and 2013 the disbursements on loans receivable were greater than principal payments received (*Operating Activities*). This need for cash to fund the net outflow to VEDA borrowers resulted in an increase in cash provided by borrowings (*Non-Capital Financing Activities*).

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

Table 10: Gap Repricing/Maturity Analysis *Dollar amounts in thousands*

Repricing Horizon at June 30, 2013	**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	$ 4,164	$ 0	$ 0	$ 0	$ 0	$ 4,164
Investments	824	2,472	11,675	7,656	4,040	26,667
Notes receivable	139,948	10,795	17,608	2,935	0	171,286
Other assets	0	0	0	0	6,489	6,489
Total assets	**$ 144,936**	**$ 13,267**	**$ 29,283**	**$ 10,591**	**$ 10,529**	**$ 208,606**
Debt	$ 148,889	$ 266	$ 1,684	$ 6,536	$ 0	$ 157,375
Other liabilities & net position	397	1,190	0	0	49,644	51,231
Total liabilities & net position	**$ 149,286**	**$ 1,456**	**$ 1,684**	**$ 6,536**	**$ 49,644**	**$ 208,606**
Repricing "Gap"	***$ (4,350)***	***$ 11,811***	***$ 27,599***	***$ 4,055***	***$ (39,115)***	***$ 0***

At June 30, 2013, the Authority's three month "repricing gap" indicates that $4.3 million more liabilities either mature or have interest rates that reset within the next three months than assets. When more liabilities reprice than assets in a period of rising interest rates, net interest income would decrease; conversely, when interest rates decline, net interest income would increase. At June 30, 2012, the three month repricing gap was $6.0 million more liabilities than assets.

Table 10 also illustrates the degree to which Management is successful in matching the amount of debt repricing in any period with the amount of loans receivable repricing in the same period. **Table 10** indicates that the $149 million of debt repricing in the next three months is used to fund the $139 million of loans receivable that also reprice in the next three months, as well as $4 million of cash and investments in the three-month period and $6 million of assets that reprice or mature beyond the 3-month time horizon.

Credit Risk Management

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

Table 11 details the specific and general reserves and the total reserves as a percentage of outstanding loans receivable balances at June 30, 2011, 2012 and 2013.

Table 11: 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
2013	$ 176,927,972	$ 3,130,000	$ 2,512,000	$ 5,642,000	1.77%	1.42%	3.19%
2012	$ 166,294,599	$ 2,312,100	$ 2,430,900	$ 4,743,000	1.39%	1.46%	2.85%
2011	$ 136,319,011	$ 1,863,100	$ 1,862,600	$ 3,725,700	1.37%	1.37%	2.73%

The Authority's reserves at June 30, 2013 totaled $5.6 million or 3.19% of outstanding loans receivable. This compares to an allowance of $4.7 million or 2.85% of the outstanding loans receivable at the end of 2012 and to an allowance of $3.7 million, or 2.73% of the outstanding loans receivable at the end of 2011. Changes in the allowance are due primarily to provisions for losses combined with loans that have been charged-off. Note 4 of the financial statements disclose more detail on the changes in the reserves.

Capital Adequacy

Table 12 details the Authority's net position, (equity or capital) as a percentage of total assets at June 30, 2013, 2012 and 2011. The Authority must maintain strong net position levels relative to total assets to borrow at favorable terms in the capital markets.

Table 12: Net Position as a % of Total Assets

As of June 30:	VJF	VACC	VSBDC	VEDA
2013	27%	18%	19%	23%
2012	30%	18%	5%	22%
2011	32%	18%	11%	26%

The increase in the ratio of net position to total assets in the VSBDC from 5% to 19% in 2013 is due to the combination of the increase in net position of $2,377,349 and the decline in assets outstanding of $8,372,073 related to the transfer of loans receivable from the VSBDC to the VJF.

Interest Rate Subsidy Program

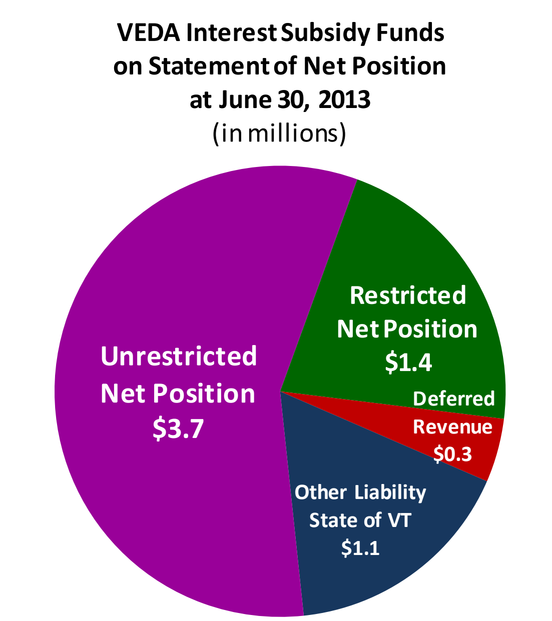
The core of the Authority's business, and the primary source of its total revenue, comes from loans receivable interest (interest on loans). VEDA must set the interest rates on its loans at a level that will generate sufficient revenues, when combined with interest on cash and investments and other revenue,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

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

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

Table 13: Subsidy Funds Provided, Used & Available

Fiscal Years:	2000 - 2002	2003 - 2007	2008 - 2013
Provided	$ 3,352,297	$ 4,802,113	$ 11,553,304
Used	483,174	5,028,767	7,670,905
Available (Cumulative)	**$ 2,869,123**	**$ 2,642,469**	**$ 6,524,868**



GRAPH IV

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

GRAPH IV shows three Statement of Net Position captions that total $2.8 million at June 30, 2013 and are restricted for interest rate subsidies. The balances represent interest subsidy funds received by VEDA that have not yet been used (or earned) on either interest subsidy commitments to existing borrowers or for subsidies on loans yet to be made. The fourth category, *Unrestricted Net position* totaling $3.7 million represents the portion of unrestricted equity that has been allocated for future subsidies.

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

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

Assets Current Assets:	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Cash and cash equivalents:					
Unrestricted	$ 665,710	$ 611,910	$ 1,038,646	$ 686,856	$ 3,003,122
Restricted	1,054,448	0	0	105,963	1,160,411
Total cash and cash equivalents	1,720,158	611,910	1,038,646	792,819	4,163,533
Loans receivable	9,056,123	4,761,726	2,930,287	211,841	16,959,977
Accrued interest receivable	145,504	109,621	31,279	4,785	291,189
Other assets	471,872	238,489	4,299	4,062	718,722
Total current assets	11,393,657	5,721,746	4,004,511	1,013,507	22,133,421
Investments					
Unrestricted	2,081,311	0	0	0	2,081,311
Restricted	24,040,000	545,758	0	0	24,585,758
Total investments	26,121,311	545,758	0	0	26,667,069
Loans receivable, less current portion	76,995,057	62,878,069	18,581,388	1,513,481	159,967,995
Less allowance for loan losses	(3,981,400)	(562,500)	(1,003,900)	(94,200)	(5,642,000)
Loans receivable, less current portion, net of allowance	73,013,657	62,315,569	17,577,488	1,419,281	154,325,995
Capital assets, net of accumulated depreciation	5,479,633	0	0	0	5,479,633
Total assets	**$ 116,008,258**	**$ 68,583,073**	**$ 21,581,999**	**$ 2,432,788**	**$ 208,606,118**
Liabilities					
Current Liabilities:					
Commercial paper	$ 131,300,000	$ 0	$ 0	$ 0	$ 131,300,000
Interfund notes (receivable) payable	(53,250,000)	38,700,000	14,550,000	0	0
Notes payable	129,882	17,500,000	200,511	24,336	17,854,729
Escrow and reserve accounts	49,448	0	0	75,701	125,149
Accounts payable and accrued expenses	707,323	84,523	0	0	791,846
Interfund accounts payable (receivable)	1,620,730	199,869	(1,760,280)	(60,319)	0
Due to State of Vermont	13,556	0	0	42,910	56,466
Other liability - State of Vermont	737,472	0	572,826	0	1,310,298
Deferred revenue for federal program	276,874	0	0	0	276,874
Accrued interest payable	40,519	30,935	19,237	9,689	100,380
Total current liabilities	81,625,804	56,515,327	13,582,294	92,317	151,815,742
Notes payable, less current portion	2,740,031	0	4,004,567	1,475,664	8,220,262
Total liabilities	**$ 84,365,835**	**$ 56,515,327**	**$ 17,586,861**	**$ 1,567,981**	**$ 160,036,004**
Net Position					
Restricted net position	25,359,636	1,396,861	0	0	26,756,497
Net investment in capital assets	2,609,720	0	0	0	2,609,720
Unrestricted net position	3,673,067	10,670,885	3,995,138	864,807	19,203,897
Total net position	**$ 31,642,423**	**$ 12,067,746**	**$ 3,995,138**	**$ 864,807**	**$ 48,570,114**

See accompanying notes to the basic financial statements

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Net Position as of June 30, 2012

Assets Current Assets:	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Cash and cash equivalents:					
Unrestricted	$ 826,056	$ 1,575,891	$ 481,588	$ 406,363	$ 3,289,898
Restricted	2,068,530	0	563,655	118,943	2,751,128
Total cash and cash equivalents	2,894,586	1,575,891	1,045,243	525,306	6,041,026
Loans receivable	6,865,244	4,614,724	3,898,656	214,350	15,592,974
Accrued interest receivable	128,653	113,809	125,293	4,914	372,669
Other assets	463,386	247,371	286	0	711,043
Total current assets	10,351,869	6,551,795	5,069,478	744,570	22,717,712
Investments					
Unrestricted	2,519,398	0	0	0	2,519,398
Restricted	24,040,000	496,565	0	0	24,536,565
Total investments	26,559,398	496,565	0	0	27,055,963
Loans receivable, less current portion	61,950,890	60,808,438	26,224,094	1,718,203	150,701,625
Less allowance for loan losses	(2,690,100)	(616,800)	(1,339,500)	(96,600)	(4,743,000)
Loans receivable, less current portion, net of allowance	59,260,790	60,191,638	24,884,594	1,621,603	145,958,625
Capital assets, net of accumulated depreciation	5,516,275	0	0	0	5,516,275
Total assets	**$ 101,688,332**	**$ 67,239,998**	**$ 29,954,072**	**$ 2,366,173**	**$ 201,248,575**
Liabilities					
Current Liabilities:					
Commercial paper	$ 116,300,000	$ 0	$ 0	$ 0	$ 116,300,000
Interfund notes (receivable) payable	(51,150,000)	29,700,000	21,450,000	0	0
Notes payable	125,669	25,500,000	174,431	0	25,800,100
Escrow and reserve accounts	26,449	0	0	91,658	118,107
Accounts payable and accrued expenses	481,033	51,782	2,767	0	535,582
Interfund accounts (receivable) payable	(772,039)	112,537	660,257	(755)	0
Due to State of Vermont	13,556	0	0	28,974	42,530
Other liability - State of Vermont	1,028,960	0	1,259,962	0	2,288,922
Deferred revenue for federal program	1,981,336	0	563,655	0	2,544,991
Accrued interest payable	32,202	45,617	20,113	9,652	107,584
Total current liabilities	68,067,166	55,409,936	24,131,185	129,529	147,737,816
Notes payable, less current portion	2,870,181	0	4,205,098	1,500,000	8,575,279
Total liabilities	**$ 70,937,347**	**$ 55,409,936**	**$ 28,336,283**	**$ 1,629,529**	**$ 156,313,095**
Net Position					
Restricted net position	25,682,787	1,646,481	0	0	27,329,268
Net investment in capital assets	2,520,425	0	0	0	2,520,425
Unrestricted net position	2,547,773	10,183,581	1,617,789	736,644	15,085,787
Total net position	**$ 30,750,985**	**$ 11,830,062**	**$ 1,617,789**	**$ 736,644**	**$ 44,935,480**

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

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Operating Revenues:					
Cash and investment interest	$ 472,963	$ 1,935	$ 1,891	$ 2,368	$ 479,157
Net increase in fair value of investments	867,488	0	0	0	867,488
Loans receivable interest	1,979,924	2,612,004	$ 881,691	93,876	5,567,495
Other revenues	588,559	132,266	57,240	195,379	973,444
Total operating revenues	3,908,934	2,746,205	940,822	291,623	7,887,584
Operating Expenses:					
Interest on commercial paper and notes payable	1,606,984	247,597	42,902	15,038	1,912,521
Interfund interest (income) expense	(630,015)	396,282	233,733	0	0
Provision for loan losses	1,244,220	(30,275)	(299,730)	(2,400)	911,815
Provision for losses on insured loans	767	0	0	21,640	22,407
Staff salaries, expenses, and benefits	2,421,854	719,727	0	0	3,141,581
Professional fees	367,698	131,298	7,246	6,660	512,902
Office and administrative expenses	790,806	0	0	0	790,806
Interfund (income) expense allocation	(1,808,137)	1,103,613	566,803	137,721	0
Depreciation of capital assets	255,134	0	0	0	255,134
Total operating expenses	4,249,311	2,568,242	550,954	178,659	7,547,166
Operating (loss) income	**(340,377)**	**177,963**	**389,868**	**112,964**	**340,418**
Non-operating revenue (expense):					
Federal grant revenue earned	891,461	0	1,376,655	0	2,268,116
Non-operating revenue for seed capital fund	57,449	0	0	0	57,449
Deferred appropriation earned	291,488	0	687,136	0	978,624
Non-operating transfer to State of Vermont	0	0	0	7,511	7,511
Capital access program rebate expense	(17,484)	0	0	0	(17,484)
Interfund non-operating revenue (expense)	8,901	59,721	(76,310)	7,688	0
Total non-operating revenue	1,231,815	59,721	1,987,481	15,199	3,294,216
Net increase in net position	**891,438**	**237,684**	**2,377,349**	**128,163**	**3,634,634**
Net position at beginning of year	30,750,985	11,830,062	1,617,789	736,644	44,935,480
Net position at end of year	**$ 31,642,423**	**$ 12,067,746**	**$ 3,995,138**	**$ 864,807**	**$ 48,570,114**

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2012

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Operating Revenues:					
Cash and investment interest	$ 483,324	$ 3,867	$ 455	$ 1,333	$ 488,979
Net increase in fair value of investments	509,538	0	0	0	509,538
Loans receivable interest	1,848,732	2,533,794	$ 654,672	94,150	5,131,348
Other revenues	598,326	150,655	71,272	185,224	1,005,477
Total operating revenues	3,439,920	2,688,316	726,399	280,707	7,135,342
Operating Expenses:					
Interest on commercial paper and notes payable	1,471,720	215,475	44,554	15,015	1,746,764
Interfund interest (income) expense	(572,080)	430,531	141,549	0	0
Provision for loan losses	509,492	(111,706)	781,357	12,900	1,192,043
Provision for losses on insured loans	0	0	0	585	585
Staff salaries, expenses, and benefits	2,286,054	510,972	0	0	2,797,026
Professional fees	339,545	130,871	13,850	2,000	486,266
Office and administrative expenses	829,460	620	0	0	830,080
Interfund (income) expense allocation	(943,526)	576,074	307,957	59,495	0
Depreciation on capital assets	242,737	0	0	0	242,737
Total operating expenses	4,163,402	1,752,837	1,289,267	89,995	7,295,501
Operating (loss) income	**(723,482)**	**935,479**	**(562,868)**	**190,712**	**(160,159)**
Non-operating revenue (expense):					
Federal grant revenue earned	1,332,976	0	467,588	0	1,800,564
Deferred appropriation earned	117,074	0	540,038	0	657,112
Capital access program rebate expense	(7,269)	0	0	(6,592)	(13,861)
Interfund non-operating (expense) revenue	(25,448)	36,108	(14,039)	3,379	0
Total non-operating revenue (expense)	1,417,333	36,108	993,587	(3,213)	2,443,815
Net increase in net position	**693,851**	**971,587**	**430,719**	**187,499**	**2,283,656**
Net position at beginning of year	30,057,134	10,858,475	1,187,070	549,145	42,651,824
Net position at end of year	$ 30,750,985	$ 11,830,062	$ 1,617,789	$ 736,644	$ 44,935,480

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

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Cash flows from operating activities:					
Interest received on loans receivable	$ 1,953,996	$ 2,597,961	$ 961,263	$ 94,810	$ 5,608,030
Other revenues received	588,559	132,266	57,240	195,379	973,444
Operating expenses paid other than interest	811,262	(1,825,683)	(3,001,366)	(208,007)	(4,223,794)
Receipts from participating banks, net	22,999	0	0	(15,957)	7,042
Principal received on loans receivable	8,886,795	12,897,901	4,965,040	162,640	26,912,376
Principal disbursed on loans receivable	(16,452,729)	(15,470,496)	(5,587,208)	(15,458)	(37,525,891)
Net cash (used for) provided by operating activities	(4,189,117)	(1,668,051)	(2,605,031)	213,407	(8,248,792)
Cash flows from non-capital financing activities:					
Interest paid on commercial paper and notes payable	(1,502,461)	(262,279)	(43,778)	(15,001)	(1,823,519)
Interest received (paid) on interfund notes payable	630,015	(396,282)	(233,733)	0	0
Federal grant funds transferred in (out)	(813,000)	0	813,000	0	0
Interfund non-operating income received (expense paid)	8,901	59,721	(76,310)	7,688	0
Interfund transfer of loans receivable	(9,622,032)	350,168	9,211,815	60,049	0
Non-operating income from the State of Vermont	0	0	0	21,447	21,447
Non-operating income for seed capital fund	57,449	0	0	0	57,449
Proceeds from issuance of commercial paper	837,200,000	0	0	0	837,200,000
Payments on maturing commercial paper	(822,200,000)	0	0	0	(822,200,000)
Proceeds (disbursed) received on interfund notes payable	(23,450,000)	21,700,000	1,750,000	0	0
Payments received (paid) on interfund notes payable	21,350,000	(12,700,000)	(8,650,000)	0	0
Proceeds from notes payable	0	12,000,000	0	0	12,000,000
Payments on notes payable	0	(20,000,000)	(174,451)	0	(20,174,451)
Capital access program rebates paid	(17,484)	0	0	0	(17,484)
Payments to banks for losses on insured loans, net	0	0	0	(21,640)	(21,640)
Net cash provided by non-capital financing activities	1,641,388	751,328	2,596,543	52,543	5,041,802
Cash flows from investing activities:					
Redemption or sale of investments	58,891,839	0	0	0	58,891,839
Purchase of investments	(57,559,942)	(49,193)	0	0	(57,609,135)
Income received on cash and investments	482,040	1,935	1,891	1,563	487,429
Net cash provided by (used for) investing activities	1,813,936	(47,258)	1,891	1,563	1,770,132
Cash flows from capital and related financing activities:					
Purchase of capital assets	(218,492)	0	0	0	(218,492)
Payments on mortgage note payable	(125,937)	0	0	0	(125,937)
Interest paid on mortgage note payable	(96,206)	0	0	0	(96,206)
Net cash used for capital and related financing activities	(440,635)	0	0	0	(440,635)
Net (decrease) increase in cash and cash equivalents	**(1,174,428)**	**(963,981)**	**(6,597)**	**267,513**	**(1,877,493)**
Cash and cash equivalents at beginning of year	2,894,586	1,575,891	1,045,243	525,306	6,041,026
Cash and cash equivalents at end of year	**$ 1,720,158**	**$ 611,910**	**$ 1,038,646**	**$ 792,819**	**$ 4,163,533**

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

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Reconciliation of Operating (Loss) Income to Net Cash (Used For) Provided By Operating Activities:					
Operating (loss) income	$ (340,377)	$ 177,963	$ 389,868	$ 112,964	$ 340,418
Adjustments to reconcile operating (loss) income to net cash used for operating activities:					
Interest income on investment activities	(482,040)	(1,935)	(1,891)	(1,563)	(487,429)
Net increase in fair value of investments	(867,488)	0	0	0	(867,488)
Interest expense for commercial paper and notes payable	1,606,984	247,597	42,902	15,038	1,912,521
Interest (income) expense for interfund financing activities	(630,015)	396,282	233,733	0	0
Provision for loan losses	1,244,220	(30,275)	(299,730)	(2,400)	911,815
Provision for losses on insured loans	767	0	0	21,640	22,407
Interfund transfer of loans receivable	9,622,032	(350,168)	(9,211,815)	(60,049)	0
Proceeds from investment in VCP	(26,323)	0	0	0	(26,323)
Depreciation expense	255,134	0	0	0	255,134
Changes in assets and liabilities:					
Loans receivable	(17,235,046)	(2,216,633)	8,611,075	207,231	(10,633,373)
Allowance for loan losses	46,313	(24,025)	(35,870)	0	(13,582)
Accrued interest receivable	(16,851)	4,188	94,014	129	81,480
Other assets	(8,486)	8,882	(4,013)	(4,062)	(7,679)
Escrow and reserve accounts	22,999	0	0	(15,957)	7,042
Accounts payable and accrued expenses	226,290	32,741	(2,767)	0	256,264
Interfund accounts payable (receivable)	2,392,769	87,332	(2,420,537)	(59,564)	0
Net cash (used for) provided by operating activities	$ (4,189,117)	$ (1,668,051)	$ (2,605,031)	$ 213,407	$ (8,248,792)

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2012

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Cash flows from operating activities:					
Interest received on loans receivable	$ 1,830,760	$ 2,458,142	$ 554,086	$ 93,139	$ 4,936,127
Other revenues received	598,326	150,655	71,272	185,224	1,005,477
Operating expenses paid other than interest	(3,228,354)	(1,447,711)	286,028	(65,344)	(4,455,381)
Borrower escrow funds received	0	(3,049)	(1,376)	0	(4,425)
Receipts from participating banks, net	15,024	0	0	(92,111)	(77,087)
Principal received on loans receivable	8,820,892	14,245,386	2,551,079	102,085	25,719,442
Principal disbursed on loans receivable	(14,329,941)	(18,346,565)	(22,153,635)	(361,218)	(55,191,359)
Net cash used for operating activities	(6,293,293)	(2,943,142)	(18,692,546)	(138,225)	(28,067,206)
Cash flows from non-capital financing activities:					
Interest paid on commercial paper and notes payable	(1,361,316)	(183,809)	(41,963)	(12,076)	(1,599,164)
Interest received (paid) on interfund notes payable	572,080	(430,531)	(141,549)	0	0
Advance from State for Flood Loan Program	0	0	1,800,000	0	1,800,000
Interfund non-operating (expense paid) income received	(25,448)	36,108	(14,039)	3,379	0
Proceeds from sale of loans receivable	0	(640,078)	0	0	(640,078)
Program funds disbursed to State of Vermont	13,556	0	0	0	13,556
Non-operating income from the State of Vermont	0	0	0	(40,445)	(40,445)
Grants funds returned on behalf of the State	3,371	0	0	0	3,371
Proceeds from issuance of commercial paper	697,000,000	0	0	0	697,000,000
Payments on maturing commercial paper	(684,700,000)	0	0	0	(684,700,000)
Proceeds (disbursed) received on interfund notes payable	(25,400,000)	7,000,000	18,400,000	0	0
Payments received (paid) on interfund notes payable	22,650,000	(21,850,000)	(800,000)	0	0
Proceeds from notes payable	0	26,500,000	92,500	0	26,592,500
Payments on notes payable	0	(6,000,000)	(172,691)	0	(6,172,691)
Capital access program rebates paid	(7,269)	0	0	0	(7,269)
Payments to banks for losses on insured loans, net	0	0	0	(585)	(585)
Net cash provided by (used for) non-capital financing activities	8,744,974	4,431,690	19,122,258	(49,727)	32,249,195
Cash flows from investing activities:					
Redemption or sale of investments	59,528,672	0	0	0	59,528,672
Purchase of investments	(59,207,831)	(41,209)	0	0	(59,249,040)
Income received on cash and investments	496,842	3,867	455	1,333	502,497
Net cash provided by (used for) investing activities	817,683	(37,342)	455	1,333	782,129
Cash flows from capital and related financing activities:					
Purchase of capital assets	(686,645)	0	0	0	(686,645)
Payments on mortgage note payable	(118,754)	0	0	0	(118,754)
Interest paid on mortgage note payable	(100,647)	0	0	0	(100,647)
Net cash used for capital and related financing activities	(906,046)	0	0	0	(906,046)
Net increase (decrease) in cash and cash equivalents	**2,363,318**	**1,451,206**	**430,167**	**(186,619)**	**4,058,072**
Cash and cash equivalents at beginning of year	531,268	124,685	615,076	711,925	1,982,954
Cash and cash equivalents at end of year	**$ 2,894,586**	**$ 1,575,891**	**$ 1,045,243**	**$ 525,306**	**$ 6,041,026**

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2012

	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities:					
Operating (loss) income	$ (723,482)	$ 935,479	$ (562,868)	$ 190,712	$ (160,159)
Adjustments to reconcile operating (loss) income to net cash used for operating activities:					
Interest income on investment activities	(483,324)	(3,867)	(455)	(1,333)	(488,979)
Net increase in fair value of investments	(509,538)	0	0	0	(509,538)
Interest expense for commercial paper and notes payable	1,471,720	215,475	44,554	15,015	1,746,764
Interest (income) expense for interfund financing activities	(572,080)	430,531	141,549	0	0
Provision for loan losses	509,492	(111,706)	781,357	12,900	1,192,043
Provision for losses on insured loans	0	0	0	585	585
Proceeds from sale of loans receivable	0	640,078	0	0	640,078
Disbursement for investment in VCP	19,175	0	0	0	19,175
Depreciation expense	242,737	0	0	0	242,737
Changes in assets and liabilities:					
loans receivable	(5,366,127)	(4,769,929)	(19,580,399)	(259,133)	(29,975,588)
Allowance for loan losses	(144,692)	(7,894)	(22,157)	0	(174,743)
Accrued interest receivable	(16,202)	(39,086)	(100,586)	(1,011)	(156,885)
Other assets	112,318	(111,879)	2,934	0	3,373
Escrow and reserve accounts	15,024	(3,049)	(1,376)	(92,111)	(81,512)
Accounts payable and accrued expenses	(231,034)	(134,138)	2,353	(1,738)	(364,557)
Interfund accounts (receivable) payable	(617,280)	16,843	602,548	(2,111)	0
Net cash used for operating activities	$ (6,293,293)	$ (2,943,142)	$ (18,692,546)	$ (138,225)	$ (28,067,206)

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, 2013 and 2012

Assets	2013 Agency Funds	2012 Agency Funds
Current Assets:		
Restricted cash and cash equivalents	$ 5,283,340	$ 5,881,530
Loans receivable	947,908	933,789
Total current assets	6,231,248	6,815,319
Loans receivable, less current portion	18,904,933	17,266,155
Total assets	**$ 25,136,181**	**$ 24,081,474**
Liabilities		
Current Liabilities:		
Due to Drinking Water State Revolving Fund	15,753,659	14,622,499
Due to Clean Energy Development Fund	5,822,377	5,725,624
Due to State Infrastructure Bank	3,073,945	3,251,560
Due to Brownfields Revolving Loan Fund	486,200	481,791
Total liabilities	**$ 25,136,181**	**$ 24,081,474**

(1) Authorizing Legislation and Programs

(a) Authorizing Legislation

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

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

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

(b) Programs of the Authority

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

Vermont Jobs Fund ("VJF")

The VJF derives its revenues primarily from interest on loans receivable, interest on investments, and fee income from loans receivable and Industrial Development Bonds. The VJF programs are outlined 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 ("IDB")

This program is established under Subchapter 4 of the VEDA statute. This program is designed to aid businesses and not-for-profit enterprises through the Authority's issuance of tax-exempt bonds. Allowable financing purposes include the acquisition of land, buildings, machinery and equipment for use in an industrial facility. 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 1988, the Authority has issued $596 million of these bonds and $330 million and $353 million remain outstanding at June 30, 2013 and 2012, respectively.

In 2013 and 2012 the Authority received $131,775 and $132,427, respectively, in fees for issuing industrial development bonds.

Direct Loans to Businesses

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

Vermont Sustainable Energy Loan Fund ("VSELF")

This program was established in 2013 under Subchapter 13 of the VEDA statute. This program is designed to make loans and provide other forms of financing for projects that stimulate and encourage development and deployment of sustainable energy projects in the State of Vermont. As required by the statute, energy related loans made previously under Direct Loans to Businesses (above), the Vermont Agricultural Credit Corporation (described below), and the Vermont Small Business Development Corporation (described below) were transferred to the VSELF. The aggregate transfers totaled $751,233 and are reflected under the caption "Interfund transfer of loans receivable" on the Statement of Cash Flows.

VEDA Capital Access Program ("VCAP")

This program is an extension and replacement of the Financial Access Program ("FAP") which is a Non-Major Fund of VEDA. The program establishes cash reserves at participating financial institutions ("banks") throughout the State by matching funds received from participating banks. Banks enroll eligible loans and make a contribution to the reserve fund based a percentage of the enrolled loan amount. VEDA matches the banks' contribution with an equal contribution to create a pooled cash reserve for loan losses. Banks can claim losses they incur on any enrolled loans in amounts not to exceed the outstanding reserve balance. The deposited amounts are included under the captions "Restricted cash and cash equivalents," "Escrow and reserve accounts" and as a portion of "Restricted net position" on the Statement of Net Position. VEDA also provides a rebate to participating banks which is either added to the pooled reserve or remitted to the direction of the bank.

Vermont Agricultural Credit Corporation ("VACC")

The Authority operates its agricultural loan programs through the VACC. The VACC derives its revenues primarily from interest on lending operations. The purpose of the VACC is to aid family farmers and agricultural facility operators by making available direct loans at favorable rates and terms. The majority of loans receivable made under this program carry guarantees of the federal government. At June 30, 2013 and 2012, $37,443,331 and $37,747,392, respectively, of the outstanding balance of the loans receivable were guaranteed by the federal government. The federal guarantees range from 50% to 95% of the outstanding balance. The average federal guarantee on these outstanding loans receivable was 90% at June 30, 2013 and 2012. The remaining loans receivable that carry no federal guarantees, totaled $30,196,464 and $27,961,189 at June 30, 2013 and 2012, respectively.

Vermont Small Business Development Corporation ("VSBDC")

Within the VSBDC there are two funds:

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

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

Non-Major Funds

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

A second fund was established to make small business loans using monies borrowed from the United States Department of Agriculture ("USDA") Intermediary Relending Program (the VT504 IRP Fund). The VT504 IRP Fund was initially capitalized with $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.

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 was 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. Beginning January 1, 2012, the FAP was accepting no new enrollments and the program will be terminated when no more enrolled loans are outstanding.

The reserve balances are 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 Statement of Net Position.

Agency Funds ("AGN")

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting
The Authority follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

Adoption of GASB Statements

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

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

(b) Cash and Cash Equivalents

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

(c) Restricted Cash and Cash Equivalents

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

(d) Unrestricted and Restricted Investments

Certain investments in the VJF are restricted under a trust indenture and held by a trustee in the Authority's name. The funds are invested at the direction of 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", Note 3). VCP is a limited partnership in which VEDA operates as General Partner. VEDA's capital contribution to VCP represents 42% of the total VCP capital. VCP is required by the partnership agreement to invest 100% of its capital in a second limited partnership, the management of which is not under the control of the General Partner. The investment in VCP is recorded at cost.

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

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

(e) Loans Receivable

Loans receivable are recorded at the uncollected principal balance, net of any loans sold without recourse. In the VACC, as of June 30, 2013 and 2012, VEDA had $1,121,522 and $285,418 in outstanding loans sold without recourse, 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, and risk characteristics of the various loan types and other pertinent factors. Future changes in economic and risk conditions could affect the adequacy of the reserves.

(g) Nonaccrual Loans

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

The outstanding balance of nonaccrual loans at June 30, 2013 and 2012 was $10,651,682 and $6,898,666, respectively. These amounts represent 6.02% and 4.15% of total loans receivable outstanding at June 30, 2013 and 2012, respectively. The allowance for loan losses specific to nonaccrual loans totaled $1,479,200 and $747,700 at June 30, 2013 and 2012, respectively which represented 14% and 11% of the nonaccrual loans outstanding. Total interest collected on nonaccrual loans in the years ended 2013 and 2012 was $342,981 and $194,089, respectively.

(h) Capital Assets

Capital assets include real estate ("RE") and furniture, fixtures & equipment ("FF&E"). RE includes land and two buildings. FF&E includes office furniture and fixtures and office equipment including computer hardware and software where the cost exceeds $1,000. All assets are stated at cost net of accumulated depreciation. The Authority depreciates capital assets (except land and land improvements, which are not depreciated) using the straight-line method over the capital assets' estimated useful life. VEDA uses fifteen to forty years for RE and RE improvements; three to five years for computer related hardware and software; and up to a maximum of ten years for furniture and fixtures.

The charts below show the changes in capital assets and accumulated depreciation for the years ending June 30, 2013 and 2012:

Capital Assets Schedule for the Year Ending June 30, 2013:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier, Vermont	$ 5,317,979	$ 46,716	$ 0	$ 0	$ 5,364,695
Accumulated Depreciation - RE	(628,670)	0	(141,000)	0	(769,670)
Furniture, fixtures and equipment	852,482	171,776	0	0	1,024,258
Accumulated Depreciation - FF&E	(525,516)	0	(114,134)	0	(639,650)
Developed Land - Montpelier, Vermon	500,000	0	0	0	500,000
Total Capital Assets, net	**$ 5,516,275**	**$ 218,492**	**$ (255,134)**	**$ 0**	**$ 5,479,633**

Capital Assets Schedule for the Year Ending June 30, 2012:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier, Vermont	$ 4,749,472	$ 568,507	$ 0	$ 0	$ 5,317,979
Accumulated Depreciation - RE	(493,430)	0	(135,240)	0	(628,670)
Furniture, fixtures and equipment	734,344	118,138	0	0	852,482
Accumulated Depreciation - FF&E	(418,019)	0	(107,497)	0	(525,516)
Developed Land - Montpelier, Vermon	500,000	0	0	0	500,000
Total Capital Assets, net	**$ 5,072,367**	**$ 686,645**	**$ (242,737)**	**$ 0**	**$ 5,516,275**

(i) Restricted Net Position

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

(j) Operating Revenues and Expenses

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

(k) Interfund Transfers

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

(l) Allocation of Expenses

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

(m) Use of Estimates

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

(n) Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

(3) Cash Equivalents and Investments:

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. Of the total money market accounts at June 30, 2013 and 2012, $63,707 and $46,208, respectively were comprised of direct obligations of the U.S. Government. The bank balance of the collateralized deposit accounts approximates the amounts shown above as of June 30, 2013 and 2012. These funds are held by a single financial institution and collateralized with securities eligible under the Authority's Investment Policy and held in trust in the name of the bank for the benefit of VEDA. There were also cash and cash equivalents held in collateralized deposit accounts for the Agency Fund totaling $5,283,339 and $5,881,530 at June 30, 2013 and 2012, respectively.

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

At June 30, 2013:	**VJF**	**VACC**	**VSBDC**	**Non-Major Funds Combined**	**VEDA TOTAL**
Collateralized deposit accounts	$ 1,656,451	$ 611,910	$ 1,038,646	$ 792,819	$ 4,099,826
Money market accounts	63,707	0	0	0	63,707
Total cash and cash equivalents	**$ 1,720,158**	**$ 611,910**	**$ 1,038,646**	**$ 792,819**	**$ 4,163,533**

At June 30, 2012:	**VJF**	**VACC**	**VSBDC**	**Non-Major Funds Combined**	**VEDA TOTAL**
Collateralized deposit accounts	$ 2,848,378	$ 1,575,891	$ 1,045,243	$ 525,306	$ 5,994,818
Money market accounts	46,208	0	0	0	46,208
Total cash and cash equivalents	**$ 2,894,586**	**$ 1,575,891**	**$ 1,045,243**	**$ 525,306**	**$ 6,041,026**

A trust indenture governs how restricted cash and cash equivalents in the VJF can be invested. The restricted cash is partial collateral for VEDA commercial paper (Note 5). The allowable investments under the trust indenture are similar to the investments allowed under the Authority's own policy.

Investments

Investments as of June 30, 2013 and 2012 are shown in the chart below:

Investments *By Type or By Issuer* as of June 30, 2013	Long-Term Credit Ratings Weighted Average	Range From Low to High	Par or Notional Amount	Weighted Average Coupon	Amortized Cost Basis	Estimated Fair Value ("FV")	FV as a % of Total
Asset-Backed Securities	AAA	AAA to AAA	$ 383,978	2.19%	$ 384,428	$ 389,288	1.5%
Commercial Mortgage Securities	AAA	AAA to AAA	196,000	4.62%	197,449	205,639	0.8%
Corporate Bonds	BBB+	BBB- to AA	1,825,000	4.67%	1,921,578	1,923,352	7.2%
Residential Mortgage Securities	AA+	BBB+ to AAA	5,075,657	4.09%	5,267,063	5,248,290	19.7%
US Government	AAA	AA+ to AA+	5,420,000	0.58%	5,397,459	5,360,721	20.1%
Local Governments (Municipals)	AAA	AAA to AAA	38,322	1.52%	38,318	38,705	0.1%
Investments with fixed maturity date:			**$ 12,938,957**	**2.69%**	**$13,206,295**	**$13,165,995**	**49.4%**
Domestic Common Stocks	NOT RATED	NOT RATED	2,813,699	N/A	2,813,699	4,451,885	16.7%
International Common Stocks	NOT RATED	NOT RATED	1,213,365	N/A	1,213,365	1,566,879	5.9%
Investments in equity securites:			**$ 4,027,064**		**$ 4,027,064**	**$ 6,018,764**	**22.6%**
The investments below are recorded at cost:							
Vermont Seed Capital Fund, LP	NOT RATED	NOT RATED	4,040,000	N/A	4,040,000	4,040,000	15.1%
Vermont Capital Partners, LP	NOT RATED	NOT RATED	2,000,000	N/A	2,000,000	2,000,000	7.5%
CoBank, ACB Stock	NOT RATED	NOT RATED	545,758	N/A	545,758	545,758	2.0%
Domestic Money Market Funds	NOT RATED	NOT RATED	896,552	N/A	896,552	896,552	3.4%
Investments at June 30, 2013			**$ 24,448,331**		**$24,715,669**	**$26,667,069**	**100.0%**

Investments *By Type or By Issuer* as of June 30, 2012	Long-Term Credit Ratings Weighted Average	Range From Low to High	Par or Notional Amount	Weighted Average Coupon	Amortized Cost Basis	Estimated Fair Value ("FV")	FV as a % of Total
Asset-Backed Securities	AAA	AAA to AAA	521,955	2.10%	522,747	530,190	2.0%
Commercial Mortgage Securities	AA+	BBB+ to AAA	892,580	4.92%	906,105	933,382	3.4%
Corporate Bonds	A-	BBB- to AA+	2,064,342	4.56%	2,106,193	2,186,808	8.1%
Residential Mortgage Securities	AA+	A1 to AAA	6,803,388	4.01%	7,143,211	7,230,491	26.8%
US Government	AA+	AA+ to AAA	$ 2,934,000	0.31%	$ 2,931,226	$ 2,937,571	10.9%
Local Governments (Municipals)	AA+	AA to AAA	356,454	5.33%	357,106	435,846	1.6%
Investments with fixed maturity date:			**$ 13,572,719**	**3.36%**	**$13,966,588**	**$14,254,288**	**52.8%**
Domestic Common Stocks	NOT RATED	NOT RATED	3,783,513	N/A	3,783,513	4,735,124	17.5%
International Common Stocks	NOT RATED	NOT RATED	988,338	N/A	988,338	1,219,927	4.5%
Investments in equity securites:			**$ 4,771,851**		**$ 4,771,851**	**$ 5,955,051**	**22.0%**
The investments below are recorded at cost:							
Vermont Seed Capital Fund, LP	NOT RATED	NOT RATED	4,040,000	N/A	4,040,000	4,040,000	14.9%
Vermont Capital Partners, LP	NOT RATED	NOT RATED	2,000,000	N/A	2,000,000	2,000,000	7.4%
CoBank, ACB Stock	NOT RATED	NOT RATED	496,565	N/A	496,565	496,565	1.8%
Domestic Money Market Funds	NOT RATED	NOT RATED	310,059	N/A	310,059	310,059	1.1%
Investments at June 30, 2012			**$ 25,191,194**		**$25,585,063**	**$27,055,963**	**100.0%**

Summary of Investment Policy

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

The Authority's investment policy mandates that debt securities carry a minimum rating of investment grade (BBB-). The weighted average rating is AA for investments that carry a long-term credit rating from one of three recognized rating agencies.

Debt Securities

At June 30, 2013, the Authority owned 123 debt security issues with a cost basis of $13,206,295 and a fair value of $13,165,995. The debt securities are comprised of general obligations of the issuer (i.e. uncollateralized), collateralized pools of mortgages or other types of receivables. At June 30, 2012, the Authority owned 146 debt security issues with a cost basis of $13,966,588 and a fair value of $14,254,288. The debt securities were comprised of general obligations of the issuer (i.e. uncollateralized), collateralized pools of mortgages or other types of receivables and preferred stock of domestic corporations.

Equity Securities

At June 30, 2013, the Authority owned 36 different equity security issues in domestic and foreign corporations with a cost basis of $4,027,064 and a fair value of $6,018,764. At June 30, 2012, the Authority owned 36 equity security issues in domestic and foreign corporations with a cost basis of $4,771,851 and a fair value of $5,955,051.

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, 2013 and 2012, the VACC owned $545,758 and $496,565 of CoBank stock, respectively. The stock is held by CoBank in the name of the VACC. Ownership of CoBank stock is required as part of a borrowing relationship with CoBank and is non-marketable and is consequently valued at cost.

Vermont Capital Partners, LP

In 2006, VEDA formed Vermont Capital Partners, LP ("VCP"). The Authority also formed VEDA Capital Advisors, LLC, a limited liability company to act as General Partner of VCP. VEDA is the sole member of VEDA Capital Advisors, LLC and, acting as the General Partner, invested $2,000,000 in VCP. There are four limited partners of VCP 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. BVII was selected by approval of the VEDA Members after due diligence by VEDA management and consultation from legal and financial experts in mezzanine debt funds.

There is no ready market for the VCP investment in BVII. As such, accounting principles generally accepted in the United States of America require the General Partner (of BVII) to estimate the fair value in a manner that may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. The amount of VCP contributed capital outstanding at June 30, 2013 and 2012 was $4,750,000. The estimated fair value of VCP capital at June 30, 2013 and 2012 was $4,209,702 and $5,003,185, respectively. Because there is no ready market for the Authority's investment in VCP, the investment is carried at cost of $2,000,000 as of June 30, 2013 and 2012.

The Authority paid organizational costs to form the VCP and pays ongoing expenses as needed. The General Partner will be reimbursed by the VCP limited partners for their share of these costs. As of June 30, 2013 and 2012, the Authority had expended $355,488 and $381,811 of reimbursable costs to form and operate the VCP. These costs are recorded in the Statement of Net Position under the caption "Other assets." In 2013, the Authority received $41,789 from VCP which was used to reduce the receivable.

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. The VCET Capital Corporation is the General Partner and is an affiliate entity of the Vermont Center for Emerging Technology ("VCET") located in Burlington, Vermont.

The legislation authorizing the creation of the VSCF provided that VEDA's share of any proceeds from the VSCF be perpetually reinvested in a seed capital fund. In 2012, the State appropriated an additional $1,140,000 to VEDA for investment in the VSCF. On June 28, 2013 the authority received an additional $57,450 for investment in VSCF, but the funds were held in cash as a Restricted Investment until it is remitted to VSCF.

There is no ready market for VEDA's investment in VSCF. As such, accounting principles generally accepted in the United States of America require the General Partner (of VSCF) to estimate the fair value in a manner that may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. The amount of VSCF contributed capital outstanding at June 30, 2013 and 2012 was $5,040,000. The estimated fair value of VSCF capital at June 30, 2013 and 2012 was $4,062,197 and $4,641,722, respectively. Because there is no ready market for the Authority's investment in VSCF, the investment is carried at cost of $4,040,000 as of June 30, 2013 and 2012. Since the invested funds cannot be used by VEDA except for reinvestment in the VCSF, the investment is reflected under the captions "Restricted Investments" and as a portion of "Restricted net position" on the Statement of Net Position.

Interest Rate Risk on Investments

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

The 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, 2013 and 2012.

Fixed Maturity Investments	as of June 30, 2013			as of June 30, 2012		
Subject to Interest Rate Risk	WAM (a)	Duration	Fair	WAM (a)	Duration	Fair
By Investment Type	(in yrs)	(in yrs)	Value	(in yrs)	(in yrs)	Value
Asset-Backed Securities	3.76	0.76	$ 389,288	4.47	1.42	$ 530,190
Commercial Mortgage Securities	3.43	2.51	205,639	27.31	2.37	933,382
Corporate Bonds	5.23	4.50	1,923,352	5.07	4.31	2,186,808
Residential Mortgage Securities	23.05	5.19	5,248,290	26.83	4.24	7,230,491
Local Governments (Municipals)	4.59	1.21	38,705	28.27	13.76	435,846
US Government	3.39	3.24	5,360,721	2.11	2.06	2,937,571
Total Debt Securities	**11.51**	**4.11**	**$ 13,165,995**	**17.64**	**3.87**	**$ 14,254,288**

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

The Authority's Investment Committee has selected a diversification mix for its marketable securities 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 fixed-income securities have terms which are considered to make them highly sensitive to interest rate changes.

(4) Loans Receivable

The outstanding balance of loans receivable for the years ending June 30, 2013 and 2012 are detailed in the charts below:

Loans Receivable By Major Program Groups at June 30, 2013:	VJF	VACC	VSBDC	Non-Major Funds Combined	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	$ 19,279,447	$ 0	$ 0	$ 0	$ 19,279,447	11%
Direct loans to businesses	66,771,733	0	0	0	66,771,733	38%
Agricultural loans	0	67,639,795	0	0	67,639,795	38%
Small business loans	0	0	21,511,675	1,725,322	23,236,997	13%
Total Loans Receivable	**$ 86,051,180**	**$ 67,639,795**	**$ 21,511,675**	**$ 1,725,322**	**$ 176,927,972**	**100%**

Loans Receivable By Major Program Groups at June 30, 2012:	VJF	VACC	VSBDC	Non-Major Funds Combined	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	$ 17,123,423	$ 0		$ 0	$ 17,123,423	10%
Direct loans to businesses	51,692,711	0		0	51,692,711	32%
Agricultural loans	0	65,423,162		0	65,423,162	39%
Small business loans	0	0	30,122,750	1,932,553	32,055,303	19%
Total Loans Receivable	**$ 68,816,134**	**$ 65,423,162**	**$ 30,122,750**	**$ 1,932,553**	**$ 166,294,599**	**100%**

In addition to the loans receivable above, there were $19,852,841 and $18,199,944 of Agency Fund loans receivable outstanding at June 30, 2013 and 2012, respectively. These loans are represented on the Statement of Fiduciary Assets and Liabilities.

Allowance for Loan Losses

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

The change in the allowance for the years ending June 30, 2013 and 2012 are shown in the charts below:

For Year Ending June 30, 2013: Loan Program and Fund Totals	Beginning 2013 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2013 Allowance
Loans to development corporations	$ 939,000	$ 100,000	$ 0	$ 0	$ 1,039,000
Direct loans to businesses	1,751,100	1,144,220	(115,675)	162,755	2,942,400
VJF Total	**2,690,100**	**1,244,220**	**(115,675)**	**162,755**	**3,981,400**
VACC Total	**616,800**	**(30,275)**	**(28,375)**	**4,350**	**562,500**
VSBDC Total	**1,339,500**	**(299,730)**	**(61,454)**	**25,584**	**1,003,900**
Non-Major Funds Combined	**96,600**	**(2,400)**	**0**	**0**	**94,200**
VEDA Total	**$ 4,743,000**	**$ 911,815**	**$ (205,504)**	**$ 192,689**	**$ 5,642,000**

For Year Ending June 30, 2012: Loan Program and Fund Totals		Beginning 2012 Allowance		Add (deduct) Loan Loss Provisions		Less Loan Write-offs		Add Loan Recoveries		Ending 2012 Allowance
Loans to development corporations	$	873,100	$	65,900	$	0	$	0	$	939,000
Direct loans to businesses		1,452,200		443,592		(166,254)		21,562		1,751,100
VJF Total		**2,325,300**		**509,492**		**(166,254)**		**21,562**		**2,690,100**
VACC Total		**736,400**		**(111,706)**		**(15,993)**		**8,099**		**616,800**
VSBDC small business loans		**580,300**		**781,357**		**(45,812)**		**23,655**		**1,339,500**
VT504 small business loans		**83,700**		**12,900**		**0**		**0**		**96,600**
VEDA Total	**$**	**3,725,700**	**$**	**1,192,043**	**$**	**(228,059)**	**$**	**53,316**	**$**	**4,743,000**

(5) Commercial Paper

Since 1998, the Authority has issued commercial paper to fund its lending operations. From time to time throughout the year, the Authority issues taxable and tax-exempt commercial paper ("CP") to fund new loans and to refund outstanding loans. Credit support for the program is provided by an irrevocable letter of credit ("LC"). Because of the credit rating of the LC provider, the LC elevates the rating for the VEDA CP to "A-1" 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, 2013 and 2012:

Commercial Paper Outstanding at June 30, 2013	Issue Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	05/06/2013	08/12/2013	0.18%	$ 120,000,000
Tax-exempt commercial paper	05/06/2013	08/12/2013	0.16%	11,300,000
Total Commercial Paper Outstanding			**0.18%**	**$ 131,300,000**

Commercial Paper Outstanding at June 30, 2012	Issue Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	05/14/2012	07/17/2012	0.18%	$ 105,000,000
Tax-exempt commercial paper	05/14/2012	07/17/2012	0.18%	11,300,000
Total Commercial Paper Outstanding			**0.18%**	**$ 116,300,000**

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

Commercial Paper Issued Subsequent to Year End	Issue Date	Maturity Date	Rate	Amount Issued
Taxable commercial paper	08/12/2013	11/05/2013	0.16%	$ 120,000,000
Tax-exempt commercial paper	08/12/2013	11/05/2013	0.14%	10,900,000
Total Commercial Paper Outstanding			**0.16%**	**$ 130,900,000**

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

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

Commercial Paper Roll Forward Schedule for the year ending June 30, 2012		2012 Beginning Balance		Total CP Issued		Total CP Matured		2012 Ending Balance
Taxable commercial paper	$	93,400,000	$	630,000,000	$	(618,400,000)		105,000,000
Tax-exempt commercial paper		10,600,000		67,000,000		(66,300,000)		11,300,000
Total Commercial Paper	**$**	**104,000,000**	**$**	**697,000,000**	**$**	**(684,700,000)**	**$**	**116,300,000**

Letter of Credit ("LC"):

In December 2010, VEDA entered into an LC agreement with J.P. Morgan Chase Bank, National Association ("JPM"). The JPM credit facility totaled $120,000,000 and matures in December 2013. The LC under the JPM agreement was collateralized with $20,000,000 in investment securities and a moral obligation pledge of the State for $100,000,000. In 2012, the State increased its moral obligation pledge to VEDA by $15,000,000 to an aggregate amount of $115,000,000. On August 6, 2012, the facility size was increased to $135,000,000 and an additional $15,000,000 of taxable commercial paper was issued. The proceeds were used to reduce the Authority's line of credit balance with CoBank, ACB (Note 6).

In 2013 legislative session, the State again authorized an additional $15,000,000 of moral obligation pledge bringing the total State pledge to $130,000,000. The authority plans to use the $15 million of additional pledge to increase its commercial paper facility and the underlying letter of credit with JPM during the next six months, issue additional CP, and use the proceeds to reduce the outstanding balance on Authority's line of credit with Cobank.

Included under the caption "Interest on commercial paper and notes payable" on the *Statement of Revenues, Expenses and Changes in Net Position* of the VJF are fees related to the LC of $1,246,258 and $1,102,595 in 2013 and 2012, respectively. Included in the LC fees were amortized deferred debt issuance costs totaling $37,920 and $38,000 in 2013 and 2012, respectively. These costs represent amortization of a portion of $113,858 of legal, consulting, transfer agent and rating agency fees related to the JPM LC. At June 30, 2013, unamortized deferred bond issuance costs related to JPM totaled $18,940 and is included under the caption "Other Assets" on the Statement of Net Position.

(6) Interfund Notes Payable and Notes Payable

Interfund Notes Payable

The VACC and VSBDC borrow monies from the VJF to fund their lending operations under revolving line of credit notes (LOC). The VJF funds the notes with the issuance of commercial paper. The amount of the VACC LOC note amount was $60,000,000 at the end of 2013 and 2012. The outstanding balance at June 30, 2013 and 2012 was $38,700,000 and $29,700,000, respectively.

The VSBDC LOC note amount was increased from $5,000,000 to $25,000,000 in 2012 to accommodate substantial growth in outstanding loans receivable. The outstanding balance of the VSBDC LOC at June 30, 2013 and 2012 on the VSBDC LOC was $14,550,000 and $21,450,000, respectively.

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

Details of notes payable outstanding at June 30, 2013 and 2012 are shown in the chart below:

Notes Payable for Years Ending June 30:	Original Amount	Issue Date	Maturity Date	Current Rate	Balance 2013	Balance 2012
VJF - Northfield Savings Bank, FSB	**$ 3,400,000**	**12/13/07**	**12/15/22**	**3.25%**	**$ 2,869,913**	**$ 2,995,850**
VACC - CoBank, ACB.	**$ 30,000,000**	**12/31/12**	**12/31/13**	**2.15%**	**$ 17,500,000**	**$ 25,500,000**
VSBDC - USDA Rural Development IRP	$ 1,000,000	08/08/89	08/08/19	1.00%	$ 288,800	$ 327,977
VSBDC - USDA Rural Development IRP	1,000,000	10/04/94	10/04/24	1.00%	474,838	512,177
VSBDC - USDA Rural Development IRP	1,000,000	03/16/95	03/16/25	1.00%	462,690	500,139
VSBDC - USDA Rural Development IRP	200,085	03/09/06	03/09/24	1.00%	126,491	137,321
VSBDC - USDA Rural Development IRP	750,000	03/09/06	03/09/36	1.00%	651,178	676,253
VSBDC - USDA Rural Development IRP	750,000	06/27/08	06/27/38	1.00%	701,081	725,662
VSBDC - USDA Rural Development IRP	750,000	10/29/09	10/29/39	1.00%	750,000	750,000
VSBDC - USDA Rural Development IRP	750,000	11/18/10	11/18/40	1.00%	750,000	750,000
VSBDC - USDA Rural Development	**$ 6,200,085**			**1.00%**	**$ 4,205,078**	**$ 4,379,529**
VT504 - USDA Rural Development IRP	$ 750,000	10/29/09	10/29/39	1.00%	$ 750,000	$ 750,000
VT504 - USDA Rural Development IRP	750,000	11/18/10	11/18/40	1.00%	750,000	750,000
Non-Major Funds Combined	**$ 1,500,000**			**1.00%**	**$ 1,500,000**	**$ 1,500,000**
Total Notes Payable	**$ 41,100,085**			**2.02%**	**$ 26,074,991**	**$ 34,375,379**

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. In July 2012, the Authority negotiated a reduction in the interest rate from 4.25% to 3.25% adjusting every five years; the term and monthly payment remain the same.

CoBank, ACB

The VACC has a revolving line of credit agreement with CoBank that was originally entered into in July 1999. The LOC includes annual line reviews and a sixty-day termination notice. The terms of the note call for monthly interest payments at a floating interest rate. Included in VACC interest expense in 2013 and 2012 are fees related to the LOC in the amount of $32,045 and $24,460, respectively. The amount outstanding at June 30, 2013 and 2012 was $17,500,000 and $25,500,000 respectively.

Intermediary Relending Program

The VSBDC and the VT 504 have eight and two notes 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 interest for the first three years and twenty-seven years of annual principal and interest.

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

Note Payable Roll Forward Schedule	2013 Beginning Balance	Add New Debt	Less Debt Paid	2013 Ending Balance
VJF	$ 2,995,850	$ 0	$ 125,937	$ 2,869,913
VACC	25,500,000	12,000,000	20,000,000	17,500,000
VSBDC	4,379,529	0	174,451	4,205,078
Non-Major Funds Combined	1,500,000	0	0	1,500,000
Total for FY 2013	**$ 34,375,379**	**$ 12,000,000**	**$ 20,300,388**	**$ 26,074,991**

Note Payable Roll Forward Schedule	2012 Beginning Balance	Add New Debt	Less Debt Paid	2012 Ending Balance
VJF	$ 3,114,604	$ 0	$ 118,754	$ 2,995,850
VACC	5,000,000	26,500,000	6,000,000	25,500,000
VSBDC	4,459,720	0	80,191	4,379,529
Non-Major Funds Combined	1,500,000	0	0	1,500,000
Total for FY 2012	**$ 14,074,324**	**$ 26,500,000**	**$ 6,198,945**	**$ 34,375,379**

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

Notes Payable Principal Payments:					Notes Payable Interest Payments:			
Fiscal Year	VJF	VACC	VSBDC	Non-Major Funds Combined	VJF	VACC	VSBDC	Non-Major Funds Combined
2014	$ 129,882	$ 17,500,000	$ 200,511	$ 24,336	$ 92,623	$ 362,466	$ 42,051	$ 15,000
2015	134,227	0	226,851	48,914	88,278	0	40,047	14,757
2016	138,718	0	229,120	49,403	83,788	0	37,777	14,268
2017	143,143	0	231,411	49,898	79,363	0	35,486	13,773
2018	148,147	0	233,725	50,397	74,359	0	33,171	13,274
2019-2023	818,306	0	1,079,050	259,643	294,224	0	131,539	58,711
2024-2028	1,357,490	0	714,897	272,888	21,814	0	83,485	45,467
2029-2033	0	0	583,804	286,808	0	0	52,917	31,547
2034-2038	0	0	549,434	301,438	0	0	23,458	16,917
2039-2043	0	0	156,275	156,275	0	0	2,819	2,819
Total	**$ 2,869,913**	**$ 17,500,000**	**$ 4,205,078**	**$ 1,500,000**	**$ 734,449**	**$ 362,466**	**$ 482,750**	**$ 226,533**

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, 2013 and 2012, the Authority believes it has met its required financial covenants.

(7) Small Business Administration Debentures

The VT504 approves the issuance of SBA guaranteed debentures and uses the proceeds to make loans to eligible businesses. The debentures and the loans they fund are not included in the Statement of Net Position of VT504 and accordingly, are not included in these financial statements. The VT504 acts as an originator and servicing agent for the SBA and has no obligation to repay the debentures. The VT504 was servicing $19,156,751 and $20,371,778 of loans at June 30, 2013 and 2012, respectively. The VT504 received $174,603 and $168,695 in fees to service these loans in 2013 and 2012, respectively.

(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 as a percent of total payroll for employees for the last three years is shown in the chart below:

Retirement Plan for Fiscal Years ending June 30:	2011	2012	2013
Contributions to Simplified Employer Plan ("SEP")	$ 185,610	$ 171,970	$ 227,378
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

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

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

The space in the smaller building is leased to multiple tenants. The leases range from month-to-month to a maximum term of one year. The terms of the leases call for fixed monthly payments. Rental income in 2013 and 2012 from both buildings, totaled $214,463 and $218,587, respectively and includes the pro rata share of operating expenses paid by the lessee noted above. The projected fixed-lease payments from VEDA tenants are shown in the chart to the right.

Lease Revenue	
Fiscal Year	**VJF**
2014	$ 135,165
2015	136,065
2016	136,985
2017	137,935
2018	163,700
2019-2023	664,970
Total	**$ 1,374,820**

The Authority has one year renewable leases for four satellite offices located in Burlington, Middlebury, Brattleboro, and St. Johnsbury. The Authority paid occupancy expenses under these leases for the years ended June 30, 2013 and 2012, of $26,385 and $22,538, respectively.

(10) Contingent Liabilities

Insurance Programs

Under the Authority's two insurance programs (the MIP and FAP) VEDA has a contingent liability to lending institutions for the portion of loans VEDA insures. The full faith and credit of the State is pledged to support the activities of the two programs. The insured loan balances in the MIP totaled $1,423,598 and $1,484,000 at June 30, 2013 and 2012, respectively. The contingent liability for the FAP totaled $512,037 and $559,928 at June 30, 2013 and 2012, respectively.

Losses on FAP insured loans totaled $21,639 and $585 in 2013 and 2012, 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 Position*.

Other Contingent Liabilities

The Authority receives financial assistance from the Federal government in the form of loan guarantees, grants and interest subsidies. Entitlement to Federal financial assistance is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. All Federal financial assistance programs are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies. Any guarantees paid or subsidy amounts received that are disallowed as a result of these audits would become a liability of the Authority. At June 30, 2013 and 2012, management was not aware of any such disallowance.

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

(11) Loan Commitments Outstanding

At June 30, 2013 the Authority had commitments for new loans and undisbursed amounts on existing loans. These amounts are expected to be disbursed in the next fiscal year and are detailed below:

Outstanding Commitments at June 30, 2013	VJF	VACC	VSBDC	Non-Major Funds Combined	VEDA TOTAL
Note receivable commitments	$ 8,629,760	$ 6,060,025	$ 1,778,500	$ 0	$ 16,468,285
Undisbursed loans receivable	8,473,121	1,487,892	474,295	0	10,435,308
Outstanding Commitments	**$ 17,102,881**	**$ 7,547,917**	**$ 2,252,795**	**$ 0**	**$ 26,903,593**

(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. The Authority received no appropriations in 2013 or 2012.

Advances

In 2009, the Authority received an advance (the "2009 Advance") of $1,250,000 from the State for interest subsidies in the VJF to stimulate economic activity. In 2012, another advance for $1,800,000 was received in the VSBDC for an interest rate subsidy program for small businesses impaired by the floods in May 2011 and the Tropical Storm Irene in September 2011 (the "Flood Advance").

Through separate agreements with the State, the advances are earned annually in an amount equal to the interest subsidies earned on loans enrolled in the two programs, net of the interest expense saved through use of the funds (2009 Advance only). The amount of the 2009 Advance earned in 2013 and

2012 was $291,488 and $117,074, respectively. The 2009 Advance had $535,987 and $827,475 of the advance remaining at June 30, 2013 and 2012, respectively. The amount of the Flood Advance earned was $687,136 and $540,038 respectively, and the amount outstanding was $572,826 and $1,259,962 at June 30, 2013 and 2012 respectively. The amounts earned are reflected under the caption "Deferred Appropriation Earned" on the *Statement of Revenues, Expenses and Changes in Net Position* and the outstanding advance balances are reflected on the Statement of Net Position under the caption "Other Liability – State of Vermont."

Insurance Fund and Financial Access Programs

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

Agency Funds

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

The Agency Fund programs are described in more detail below:

Drinking Water State Revolving Fund ("DWF")

VEDA assists the Agency of Natural Resources ("ANR") in the operation of the DWF which makes loans to private entities for drinking water-related projects. The Authority issues loans receivable and is assisted by the ANR in approving the loans. ANR transferred $1,500,000 and $1,750,000 to the Authority in 2013 and 2012, respectively for the purpose of making the DWF loans. The VJF earned $100,426 and $97,857 in fees in 2013 and 2012, respectively.

Clean Energy Development Fund ("CEDF")

The Authority provides services to CEDF which is operated in conjunction with the State Department of Public Service ("DPS"). The CEDF makes grants and loans to businesses for the purpose of developing and marketing renewable and clean sources of energy. DPS transferred $1,015,655 and $600,000 to the Authority in 2013 and 2012, respectively for the purpose of making the CEDF loans. The VJF earned $44,627 and $56,297 in fees for services in 2013 and 2012, respectively.

State Infrastructure Bank ("SIB")

The SIB makes municipal and private sector loans for transportation infrastructure-related projects at the direction of its Board and in conjunction with the State Agency of Transportation. The VJF earned $6,902 and $8,711 in fees for services in 2013 and 2012, 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"). In 2013 ACCD did not make a transfer to the Authority, in 2012, ACCD transferred $160,000 to the Authority for the purpose of making BRF loans. The VJF earned $5,320 and $6,395 in fees for services in 2013 and 2012, respectively.

A summary of the cash and loans receivable at June 30, 2013 and 2012 for the respective State agencies are shown in the chart below:

At June 30, 2013:	DWF	CEDF	SIB	BRF	TOTAL
Cash and cash equivalents	$ 933,298	$ 1,134,619	$ 3,073,945	$ 141,477	$ 5,283,339
Loans receivable	14,820,360	4,687,758	0	344,723	19,852,841
Total Due To Agency	**$ 15,753,658**	**$ 5,822,377**	**$ 3,073,945**	**$ 486,200**	**$ 25,136,180**

At June 30, 2012:	DWF	CEDF	SIB	BRF	TOTAL
Cash and cash equivalents	$ 1,514,756	$ 993,079	$ 3,251,560	$ 122,135	$ 5,881,530
Loans receivable	13,107,743	4,732,545	0	359,656	18,199,944
Total Due To Agency	**$ 14,622,499**	**$ 5,725,624**	**$ 3,251,560**	**$ 481,791**	**$ 24,081,474**

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 2012 a prior period grant was returned resulting in an increase in the Other Liability of ($3,371). No grants were disbursed in 2013 or 2012. This amount is not reflected on the *Statement of Revenues, Expenses and Changes in Net Position* because the grant is offset by a commensurate amount of forgiveness of the "Other Liability - State of Vermont." The remaining amount available for grants at June 30, 2013 and 2012 totaled $201,485. The funds are disbursed at the direction of the Agencies.

Other Related Parties

In 2010, a Member of the Authority took the position of Chief Financial Officer for a VEDA Borrower. The Borrower's loan from VEDA is in the amount of $1,300,000 and was approved by the Members in May 2009 prior to the Member accepting the position. The balance on the related party loan was $675,578 and $740,332 at June 30, 2013 and 2012, respectively.

(13) Deferred Revenue for Federal Program

In 2011, the Authority received $4,345,555 from the United States Treasury Department as the State's allocation under the State Small Business Credit Initiative Act of 2010 ("SSBCI"). The Act allocated a total of $13,168,350 to the State with the remaining $8,822,795 to be drawn in two additional tranches once 80% of the each preceding tranche has been used. Subsequent to year end, the second tranche was received in the amount of $4,345,556. The SSBCI funds are used to fund a portion of eligible projects in the VJF. In 2013 VEDA amended its SSBCI program with Treasury and under the amendment the VCAP was eliminated from the Federal program though it continues to be operated using VEDA funds. In addition, the commercial and small business programs were consolidated within the VJF.

The SSBCI funds are recorded on the Statement of Net Position under the caption "Deferred revenue for federal program." The revenue is earned at the time funds are disbursed on an eligible loans receivable. The amount of SSBCI funds earned on any project cannot exceed the lower of 20% of the total project costs or the VEDA note amount. In 2013 and 2012, $2,268,116 and $1,800,565 was earned by the Authority, respectively this is recorded on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption "Federal Grant Revenue Earned." The Authority had deferred revenue related to the SSBCI programs of $276,874 and $2,544,990 at June 30, 2013 and 2012, respectively.

(14) Restricted Net Position

VEDA had restricted net position of $26,756,497 and $27,329,268 at June 30, 2013 and 2012, respectively. The detail of the amounts and changes in restricted net position in each the past two years is shown in the chart and text below:

Restricted Net Position **For Year Ending June 30, 2013: By Category and Fund Totals**	**Beginning Balance for FY 2012**	**Decrease Increase FY 2012**	**Ending Balance at 06/30/2012**	**Increase Decrease FY 2013**	**Ending Balance at 06/30/2013**
For commercial paper collateral	$ 20,067,767	$ (21,559)	$ 20,046,208	$ 17,499	$ 20,063,707
For Vermont seed capital fund	4,040,000	0	4,040,000	57,450	4,097,450
For interest rate subsidies	2,542,937	(960,895)	1,582,042	(1,039,272)	542,770
For energy guarantee program	0	0	0	500,000	500,000
For federal program	0	0	0	106,969	106,969
For VEDA Capital Access Program	0	14,537	14,537	34,203	48,740
VJF Total	**26,650,704**	**(967,917)**	**25,682,787**	**(323,151)**	**25,359,636**
For interest rate subsidies	1,491,532	(341,616)	1,149,916	(298,813)	851,103
For investment in Cobank	455,356	41,209	496,565	49,193	545,758
VACC Total	**1,946,888**	**(300,407)**	**1,646,481**	**(249,620)**	**1,396,861**
VEDA Total at June 30, 2013	**$ 28,597,592**	**$ (1,268,324)**	**$ 27,329,268**	**$ (572,771)**	**$ 26,756,497**

Commercial Paper Collateral

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

Vermont Seed Capital Fund

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

Interest Rate Subsidies

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

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

Energy Loan Guarantee Program

The Authority has contributed $500,000 for the cash corpus of a reserve fund for VEDA guarantees on bank loans made for energy generation or conservation projects.

Federal Program

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

VEDA Capital Access Program ("VCAP")

Included in Restricted cash and cash equivalents in the VJF is $86,763 of reserve funds held at banks participating in the VCAP. The Authority's portion of the reserve accounts are recorded as restricted net position and the participating bank's portion is recorded under the caption "Escrow and reserve accounts" on the Statement of Net Position.

Investment in Cobank

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

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

SUPPLEMENTARY SCHEDULES

Combining Financial Statements - Non-Major Funds Combined

Combining Financial Statements – Vermont Small Business Development Corporation

Combining Financial Statements – Vermont 504 Corporation

June 30, 2013 and 2012

Supplementary Schedules

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

Assets	Vermont 504 Corporation	Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:				
Cash and cash equivalents:				
Unrestricted	$ 686,856	$ 0	$ 0	$ 686,856
Restricted	0	28,035	77,928	105,963
Total cash and cash equivalents:	686,856	28,035	77,928	792,819
Loans receivable	211,841	0	0	211,841
Accrued interest receivable	3,958	0	827	4,785
Other assets	0	4,062	0	4,062
Total current assets	902,655	32,097	78,755	1,013,507
Loans receivable, less current portion	1,513,481	0	0	1,513,481
Less allowance for loan losses	(94,200)	0	0	(94,200)
Loans receivable, less current portion, net of allowance	1,419,281	0	0	1,419,281
Total assets	**$ 2,321,936**	**$ 32,097**	**$ 78,755**	**$ 2,432,788**
Liabilities				
Current Liabilities:				
Notes payable	$ 24,336	$ 0	$ 0	$ 24,336
Escrow and reserve accounts	0	0	75,701	75,701
Interfund accounts receivable	(52,560)	(7,759)	0	(60,319)
Due to State of Vermont	0	39,856	3,054	42,910
Accrued interest payable	9,689	0	0	9,689
Total current liabilities	(18,535)	32,097	78,755	92,317
Notes payable, less current portion	1,475,664	0	0	1,475,664
Total liabilities	**$ 1,457,129**	**$ 32,097**	**$ 78,755**	**$ 1,567,981**
Net Position				
Unrestricted net position	**$ 864,807**	**$ 0**	**$ 0**	**$ 864,807**

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Net Position - Non-Major Funds Combined
as of June 30, 2012

Assets	Vermont 504 Corporation	Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:				
Cash and cash equivalents:				
Unrestricted	$ 406,363	$ 0	$ 0	$ 406,363
Restricted	0	25,004	93,939	118,943
Total cash and cash equivalents:	406,363	25,004	93,939	525,306
Loans receivable	214,350	0	0	214,350
Accrued interest receivable	4,892	0	22	4,914
Total current assets	625,605	25,004	93,961	744,570
Loans receivable, less current portion	1,718,203	0	0	1,718,203
Less allowance for loan losses	(96,600)	0	0	(96,600)
Loans receivable, less current portion, net of allowance	1,621,603	0	0	1,621,603
Total assets	**$ 2,247,208**	**$ 25,004**	**$ 93,961**	**$ 2,366,173**
Liabilities				
Current Liabilities:				
Escrow and reserve accounts	$ 0	$ 0	$ 91,658	$ 91,658
Interfund accounts payable (receivable)	912	(1,644)	(23)	(755)
Due to State of Vermont	0	26,648	2,326	28,974
Accrued interest payable	9,652	0	0	9,652
Total current liabilities	10,564	25,004	93,961	129,529
Notes payable, less current portion	1,500,000	0	0	1,500,000
Total liabilities	**$ 1,510,564**	**$ 25,004**	**$ 93,961**	**$ 1,629,529**
Net Position				
Unrestricted net position	**$ 736,644**	**$ 0**	**$ 0**	**$ 736,644**

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

	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Operating Revenues:				
Cash and investment interest	$ 1,321	$ 49	$ 998	$ 2,368
Loans receivable interest	93,876	0	0	93,876
Other revenues	174,805	20,574	0	195,379
Total operating revenues	270,002	20,623	998	291,623
Operating Expenses:				
Interest on notes payable	15,038	0	0	15,038
Provision for loan losses	(2,400)	0	0	(2,400)
Provision for losses on insured loans	0	0	21,640	21,640
Professional fees	6,538	45	77	6,660
Interfund expense allocation	130,351	7,370	0	137,721
Total operating expenses	149,527	7,415	21,717	178,659
Operating income (loss)	**120,475**	**13,208**	**(20,719)**	**112,964**
Non-operating (expense) revenue:				
Non-operating (expense) revenue (to) from State	0	(13,208)	20,719	7,511
Interfund non-operating revenue	7,688	0	0	7,688
Total non-operating revenue (expense)	7,688	(13,208)	20,719	15,199
Net increase in net position	**128,163**	**0**	**0**	**128,163**
Net position at beginning of year	736,644	0	0	736,644
Net position at end of year	$ 864,807	$ 0	$ 0	$ 864,807

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Revenues, Expenses and Changes in Net Position -
Non-Major Funds Combined
For the year ended June 30, 2012

	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Operating Revenues:				
Cash and investment interest	$ 1,218	$ 131	$ (16)	$ 1,333
Loans receivable interest	94,150	0	0	94,150
Other revenues	171,574	13,650	0	185,224
Total operating revenues	266,942	13,781	(16)	280,707
Operating Expenses:				
Interest on notes payable	15,015	0	0	15,015
Provision for loan losses	12,900	0	0	12,900
Provision for losses on insured loans	0	0	585	585
Professional fees	2,000	0	0	2,000
Interfund expense allocation	52,907	6,588	0	59,495
Total operating expenses	82,822	6,588	585	89,995
Operating income (loss)	**184,120**	**7,193**	**(601)**	**190,712**
Non-operating revenue (expense):				
Non-operating (expense) revenue (to) from State	0	(7,193)	601	(6,592)
Interfund non-operating revenue	3,379	0	0	3,379
Total non-operating revenue (expense)	3,379	(7,193)	601	(3,213)
Net increase in net position	**187,499**	**0**	**0**	**187,499**
Net position at beginning of year	549,145	0	0	549,145
Net position at end of year	$ 736,644	$ 0	$ 0	$ 736,644

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Cash Flows - Non-Major Funds Combined
For the Year Ended June 30, 2013

	Vermont 504 Corporation	Mortgage Insurance Program	Financial Access Program	Non-Major Funds Combined
Cash flows from operating activities:				
Interest received on loans receivable	$ 94,810	$ 0	$ 0	$ 94,810
Other revenues received	174,805	20,574	0	195,379
Operating expenses paid other than interest	(190,361)	(17,592)	(54)	(208,007)
Borrower escrow funds received	0	0	0	0
Receipts from participating banks, net	0	0	(15,957)	(15,957)
Principal received on loans receivable	162,640	0	0	162,640
Principal disbursed on loans receivable	(15,458)	0	0	(15,458)
Cash provided by (used for) operating activities	226,436	2,982	(16,011)	213,407
Cash flows from non-capital financing activities:				
Interest paid on notes payable	(15,001)	0	0	(15,001)
Interfund non-operating income (expense)	7,688	0	0	7,688
Interfund transfer of loans receivable for cash	60,049	0	0	60,049
Non-operating income (paid to) received from State	0	0	21,447	21,447
Payments for losses on insured loans, net	0	0	(21,640)	(21,640)
Cash provided by (used for) non-capital financing activities	52,736	0	(193)	52,543
Cash flows from investing activities:				
Interest received on cash and investments	1,321	49	193	1,563
Net cash provided by investing activities	1,321	49	193	1,563
Net increase (decrease) in cash and cash equivalents	**280,493**	**3,031**	**(16,011)**	**267,513**
Cash and cash equivalents at beginning of year	406,363	25,004	93,939	525,306
Cash and cash equivalents at end of year	**$ 686,856**	**$ 28,035**	**$ 77,928**	**$ 792,819**
Reconciliation of Operating Income (Loss) to Cash Provided By (Used For) Operating Activities:				
Operating income (loss)	$ 120,475	$ 13,208	$ (20,719)	$ 112,964
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:				
Interest income on investment activities	(1,321)	(49)	(193)	(1,563)
Interest paid on notes payable	15,038	0	0	15,038
Provision for loan losses	(2,400)	0	0	(2,400)
Provision for losses on insured loans	0	0	21,640	21,640
Interfund transfer of loans receivable	(60,049)	0	0	(60,049)
Changes in assets and liabilities:				
loans receivable	207,231	0	0	207,231
Accrued interest receivable	934	0	(805)	129
Other assets	0	(4,062)	0	(4,062)
Escrow and reserve accounts	0	0	(15,957)	(15,957)
Interfund accounts payable	(53,472)	(6,115)	23	(59,564)
Cash provided by (used for) operating activities	$ 226,436	$ 2,982	$ (16,011)	$ 213,407

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Cash Flows - Non-Major Funds Combined
For the Year Ended June 30, 2012

	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Cash flows from operating activities:				
Interest received on loans receivable	$ 93,139	$ 0	$ 0	$ 93,139
Other revenues received	171,574	13,650	0	185,224
Operating expenses paid other than interest	(55,123)	(10,198)	(23)	(65,344)
Receipts from participating banks, net	0	0	(92,111)	(92,111)
Principal received on loans receivable	102,085	0	0	102,085
Principal disbursed on loans receivable	(361,218)	0	0	(361,218)
Cash (used for) provided by operating activities	(49,543)	3,452	(92,134)	(138,225)
Cash flows from non-capital financing activities:				
Interest paid on notes payable	(12,076)	0	0	(12,076)
Interfund operating transfer received	3,379	0	0	3,379
Non-operating income paid to State of Vermont	0	(40,391)	(54)	(40,445)
Payments for losses on insured loans, net	0	0	(585)	(585)
Net cash used for non-capital financing activities	(8,697)	(40,391)	(639)	(49,727)
Cash flows from investing activities:				
Interest received on cash and investments	1,218	131	(16)	1,333
Net cash provided by (used for) investing activities	1,218	131	(16)	1,333
Net decrease in cash and cash equivalents	**(57,022)**	**(36,808)**	**(92,789)**	**(186,619)**
Cash and cash equivalents at beginning of year	463,385	61,812	186,728	711,925
Cash and cash equivalents at end of year	**$ 406,363**	**$ 25,004**	**$ 93,939**	**$ 525,306**
Reconciliation of Operating Income (Loss) to Cash (Used For) Provided By Operating Activities:				
Operating income (loss)	$ 184,120	$ 7,193	$ (601)	$ 190,712
Adjustments to reconcile operating income (loss) to cash (used for) provided by operating activities:				
Interest income on investment activities	(1,218)	(131)	16	(1,333)
Interest expense paid on notes payable	15,015	0	0	15,015
Provision for loan losses	12,900	0	0	12,900
Provision for losses on insured loans	0	0	585	585
Changes in assets and liabilities:				
Loans receivable	(259,133)	0	0	(259,133)
Accrued interest receivable	(1,011)	0	0	(1,011)
Escrow and reserve accounts	0	0	(92,111)	(92,111)
Accounts payable and accrued expenses	(1,320)	(418)	0	(1,738)
Interfund accounts payable	1,104	(3,192)	(23)	(2,111)
Cash (used for) provided by operating activities	$ (49,543)	$ 3,452	$ (92,134)	$ (138,225)

Vermont Small Business Development Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Net Position
as of June 30, 2013 and 2012

	as of June 30, 2013			as of June 30, 2012		
Assets	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Current Assets:						
Unrestricted cash and cash equivalents	$ 632,330	$ 406,316	$ 1,038,646	$ 323,337	$ 158,251	$ 481,588
Restricted cash and cash equivalents	0	0	0	0	563,655	563,655
Total cash and cash equivalents	632,330	406,316	1,038,646	323,337	721,906	1,045,243
Loans receivable	734,870	2,195,417	2,930,287	962,317	2,936,339	3,898,656
Accrued interest receivable	12,895	18,384	31,279	16,839	108,454	125,293
Other assets	2,993	1,306	4,299	286	0	286
Total current assets	1,383,088	2,621,423	4,004,511	1,302,779	3,766,699	5,069,478
Loans receivable, less current portion	3,874,126	14,707,262	18,581,388	6,326,541	19,897,553	26,224,094
Less allowance for loan losses	(419,800)	(584,100)	(1,003,900)	(506,200)	(833,300)	(1,339,500)
Loans receivable, less current portion, net of allowance	3,454,326	14,123,162	17,577,488	5,820,341	19,064,253	24,884,594
Total assets	**$ 4,837,414**	**$ 16,744,585**	**$ 21,581,999**	**$ 7,123,120**	**22,830,952**	**$ 29,954,072**
Liabilities						
Current Liabilities:						
Interfund note payable	$ 0	$ 14,550,000	$ 14,550,000	$ 0	$ 21,450,000	$ 21,450,000
Notes payable	200,511	0	200,511	174,431	0	174,431
Accounts payable and accrued expenses	0	0	0	0	2,767	2,767
Interfund accounts payable (receivable)	(785,990)	(974,290)	(1,760,280)	1,608,720	(948,463)	660,257
Other liability - State of Vermont	0	572,826	572,826	0	1,259,962	1,259,962
Deferred revenue for federal program	0	0	0	0	563,655	563,655
Accrued interest payable	19,237	0	19,237	20,113	0	20,113
Total current liabilities	(566,242)	14,148,536	13,582,294	1,803,264	22,327,921	24,131,185
Notes payable, less current portion	4,004,567	0	4,004,567	4,205,098	0	4,205,098
Total liabilities	**$ 3,438,325**	**$ 14,148,536**	**$ 17,586,861**	**$ 6,008,362**	**22,327,921**	**$ 28,336,283**
Net Position						
Unrestricted net position	**$ 1,399,089**	**$ 2,596,049**	**$ 3,995,138**	**$ 1,114,758**	**$ 503,031**	**$ 1,617,789**

Vermont Small Business Development Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	For the Year Ended June 30, 2013			For the Year Ended June 30, 2012		
	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Operating Revenues:						
Cash and investment interest	$ 781	$ 1,110	$ 1,891	$ 23	$ 432	$ 455
Loans receivable interest	326,402	555,289	881,691	341,834	312,838	654,672
Other revenues	0	57,240	57,240	26,564	44,708	71,272
Total operating revenues	327,183	613,639	940,822	368,421	357,978	726,399
Operating Expenses:						
Interest on notes payable	42,902	0	42,902	44,554	0	44,554
Interfund interest expense	0	233,733	233,733	0	141,549	141,549
Provision for loan losses	(75,946)	(223,784)	(299,730)	199,112	582,245	781,357
Professional fees	9,416	(2,170)	7,246	12,700	1,150	13,850
Interfund expense allocation	103,475	463,328	566,803	138,525	169,432	307,957
Total operating expenses	79,847	471,107	550,954	394,891	894,376	1,289,267
Operating income (loss)	**247,336**	**142,532**	**389,868**	**(26,470)**	**(536,398)**	**(562,868)**
Non-operating revenue:						
Federal grant revenue earned	0	1,376,655	1,376,655	0	467,588	467,588
Deferred appropriation earned	0	687,136	687,136	0	540,038	540,038
Interfund non-operating revenue (expense)	36,995	(113,305)	(76,310)	21,633	(35,672)	(14,039)
Total non-operating revenue	36,995	1,950,486	1,987,481	21,633	971,954	993,587
Net increase (decrease) in net position	**284,331**	**2,093,018**	**2,377,349**	**(4,837)**	**435,556**	**430,719**
Net position at beginning of year	1,114,758	503,031	1,617,789	1,119,595	67,475	1,187,070
Net position at end of year	$ 1,399,089	$ 2,596,049	$ 3,995,138	$ 1,114,758	$ 503,031	$ 1,617,789

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, 2013 and 2012

	For the Year Ended June 30, 2013			For the Year Ended June 30, 2012		
	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Cash flows from operating activities:						
Interest received on loans receivable	$ 330,346	$ 630,917	$ 961,263	$ 341,810	$ 212,276	$ 554,086
Other revenues received	0	57,240	57,240	26,564	44,708	71,272
Operating expenses paid other than interest	(2,510,308)	(491,058)	(3,001,366)	1,058,098	(772,070)	286,028
Borrower escrow funds (disbursed) received	0	0	0	(1,376)	0	(1,376)
Principal received on loans receivable	920,388	4,044,652	4,965,040	937,548	1,613,531	2,551,079
Principal disbursed on loans receivable	(69,589)	(5,517,619)	(5,587,208)	(2,520,829)	(19,632,806)	(22,153,635)
Net cash used for operating activities	(1,329,163)	(1,275,868)	(2,605,031)	(158,185)	(18,534,361)	(18,692,546)
Cash flows from noncapital financing activities:						
Interest paid on notes payable	(43,778)	0	(43,778)	(41,963)	0	(41,963)
Interest paid on interfund note payable	0	(233,733)	(233,733)	0	(141,549)	(141,549)
Federal program funds transferred in	0	813,000	813,000	0	0	0
Advance from State for Flood Loan Program	0	0	0	0	1,800,000	1,800,000
Interfund non-operating revenue (expense)	36,995	(113,305)	(76,310)	21,633	(35,672)	(14,039)
Interfund transfer of loans receivable	1,818,609	7,393,206	9,211,815	234,221	(234,221)	0
Proceeds from interfund note payable	0	1,750,000	1,750,000	0	18,400,000	18,400,000
Payments on interfund note payable	0	(8,650,000)	(8,650,000)	0	(800,000)	(800,000)
Proceeds from notes payable	0	0	0	92,500	0	92,500
Payments on notes payable	(174,451)	0	(174,451)	(172,691)	0	(172,691)
Net cash provided by non-capital financing activities	1,637,375	959,168	2,596,543	133,700	18,988,558	19,122,258
Cash flows from investing activities:						
Interest received on cash and investments	781	1,110	1,891	23	432	455
Net cash provided by investing activities	781	1,110	1,891	23	432	455
Net increase (decrease) in cash and cash equivalents	**308,993**	**(315,590)**	**(6,597)**	**(24,462)**	**454,629**	**430,167**
Cash and cash equivalents at beginning of year	323,337	721,906	1,045,243	347,799	267,277	615,076
Cash and cash equivalents at end of year	**$ 632,330**	**$ 406,316**	**$ 1,038,646**	**$ 323,337**	**$ 721,906**	**$ 1,045,243**
Reconciliation of Operating Income (Loss) to Cash Used For Operating Activities:						
Operating (loss) income	**$ 247,336**	**$ 142,532**	**$ 389,868**	**$ (26,470)**	**$ (536,398)**	**$ (562,868)**
Adjustments to reconcile operating income (loss) to cash used for operating activities:						
Interest income on investment activities	(781)	(1,110)	(1,891)	(23)	(432)	(455)
Interest expense on notes payable	42,902	0	42,902	44,554	0	44,554
Interest paid for interfund financing activities	0	233,733	233,733	0	141,549	141,549
Provision for loan losses	(75,946)	(223,784)	(299,730)	199,112	582,245	781,357
Interfund transfer of loans receivable	(1,818,609)	(7,393,206)	(9,211,815)	(234,221)	234,221	0
Changes in assets and liabilities:						
Loans receivable	2,679,862	5,931,213	8,611,075	(1,303,448)	(18,276,951)	(19,580,399)
Allowance for loan losses	(10,454)	(25,416)	(35,870)	(45,612)	23,455	(22,157)
Accrued interest receivable	3,944	90,070	94,014	(24)	(100,562)	(100,586)
Other assets	(2,707)	(1,306)	(4,013)	2,934	0	2,934
Escrow funds disbursed	0	0	0	(1,376)	0	(1,376)
Accounts payable and accrued expenses	0	(2,767)	(2,767)	(414)	2,767	2,353
Interfund accounts payable	(2,394,710)	(25,827)	(2,420,537)	1,206,803	(604,255)	602,548
Cash used for operating activities	$ (1,329,163)	$ (1,275,868)	$ (2,605,031)	$ (158,185)	$ (18,534,361)	$ (18,692,546)

Vermont 504 Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Net Position
as of June 30, 2013 and 2012

	as of June 30, 2013			as of June 30, 2012		
Assets	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Current Assets:						
Unrestricted cash and cash equivalents	$ 334,534	$ 352,322	$ 686,856	$ 122,483	$ 283,880	$ 406,363
Loans receivable	211,841	0	211,841	214,350	0	214,350
Accrued interest receivable	3,958	0	3,958	4,892	0	4,892
Total current assets	550,333	352,322	902,655	341,725	283,880	625,605
Loans receivable, less current portion	1,513,481	0	1,513,481	1,718,203	0	1,718,203
Less allowance for loan losses	(94,200)	0	(94,200)	(96,600)	0	(96,600)
Loans receivable, less current portion, net of allowance	1,419,281	0	1,419,281	1,621,603	0	1,621,603
Total assets	**$ 1,969,614**	**$ 352,322**	**$ 2,321,936**	**$ 1,963,328**	**283,880**	**$ 2,247,208**
Liabilities						
Current Liabilities:						
Notes payable	$ 24,336	$ 0	$ 24,336	$ 0	$ 0	$ 0
Interfund accounts (receivable) payable	(58,592)	6,032	(52,560)	(3,382)	4,294	912
Accrued interest payable	9,689	0	9,689	9,652	0	9,652
Total current liabilities	(24,567)	6,032	(18,535)	6,270	4,294	10,564
Notes payable, less current portion	1,475,664	0	1,475,664	1,500,000	0	1,500,000
Total liabilities	**$ 1,451,097**	**$ 6,032**	**$ 1,457,129**	**$ 1,506,270**	**4,294**	**$ 1,510,564**
Net Position						
Unrestricted net position	**$ 518,517**	**$ 346,290**	**$ 864,807**	**$ 457,058**	**$ 279,586**	**$ 736,644**

Vermont 504 Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2013 and 2012

	For the Year Ended June 30, 2013			For the Year Ended June 30, 2012		
	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Operating Revenues:						
Cash and investment interest	$ 493	$ 828	$ 1,321	$ 519	$ 699	$ 1,218
Loans receivable interest	93,876	0	93,876	94,150	0	94,150
Other revenues	0	174,805	174,805	535	171,039	171,574
Total operating revenues	94,369	175,633	270,002	95,204	171,738	266,942
Operating Expenses:						
Interest on notes payable	15,038	0	15,038	15,015	0	15,015
Provision for loan losses	(2,400)	0	(2,400)	12,900	0	12,900
Professional fees	38	6,500	6,538	0	2,000	2,000
Interfund expense allocation	27,922	102,429	130,351	0	52,907	52,907
Total operating expenses	40,598	108,929	149,527	27,915	54,907	82,822
Operating income	**53,771**	**66,704**	**120,475**	**67,289**	**116,831**	**184,120**
Non-operating revenue	7,688	0	7,688	3,379	0	3,379
Net increase in net position	**61,459**	**66,704**	**128,163**	**70,668**	**116,831**	**187,499**
Net position at beginning of year	457,058	279,586	736,644	386,390	162,755	549,145
Net position at end of year	$ 518,517	$ 346,290	$ 864,807	$ 457,058	$ 279,586	$ 736,644

Vermont 504 Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Cash Flows
For the Years Ended June 30, 2013 and 2012

	For the Year Ended June 30, 2013			For the Year Ended June 30, 2012		
	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Cash flows from operating activities:						
Interest received on loans receivable	$ 94,810	$ 0	$ 94,810	$ 93,139	$ 0	$ 93,139
Other revenues received	0	174,805	174,805	535	171,039	171,574
Operating expenses paid other than interest	(83,170)	(107,191)	(190,361)	1,493	(56,616)	(55,123)
Principal received on loans receivable	162,640	0	162,640	102,085	0	102,085
Principal disbursed on loans receivable	(15,458)	0	(15,458)	(361,218)	0	(361,218)
Cash provided by (used for) operating activities	158,822	67,614	226,436	(163,966)	114,423	(49,543)
Cash flows from noncapital financing activities:						
Interest paid on notes payable	$ (15,001)	$ 0	$ (15,001)	$ (12,076)	$ 0	$ (12,076)
Interfund non-operating revenue	7,688	0	7,688	3,379	0	3,379
Interfund transfer of loans receivable for cash	60,049	0	60,049	0	0	0
Cash provided by (used for) noncapital financing activit	52,736	0	52,736	(8,697)	0	(8,697)
Cash flows from investing activities:						
Interest received on cash and investments	493	828	1,321	519	699	1,218
Net cash provided by investing activities	493	828	1,321	519	699	1,218
Net increase (decrease) in cash and cash equivalents	**212,051**	**68,442**	**280,493**	**(172,144)**	**115,122**	**(57,022)**
Cash and cash equivalents at beginning of year	122,483	283,880	406,363	294,627	168,758	463,385
Cash and cash equivalents at end of year	**$ 334,534**	**$ 352,322**	**$ 686,856**	**$ 122,483**	**$ 283,880**	**$ 406,363**
Reconciliation of Operating Income to Cash (Used for) Provided By Operating Activities:						
Cash flows from operating activities:						
Operating income:	**$ 53,771**	**$ 66,704**	**$ 120,475**	**$ 67,289**	**$ 116,831**	**$ 184,120**
Adjustments to reconcile operating income to cash (used for) provided by operating activities:						
Interest income on investment activities	(493)	(828)	(1,321)	(519)	(699)	(1,218)
Interest expense on notes payable	15,038	0	15,038	15,015	0	15,015
Provision for loan losses	(2,400)	0	(2,400)	12,900	0	12,900
Interfund transfer of loans receivable	(60,049)	0	(60,049)	0	0	0
Changes in assets and liabilities:						
Loans receivable	207,231	0	207,231	(259,133)	0	(259,133)
Accrued interest receivable	934	0	934	(1,011)	0	(1,011)
Accounts payable and accrued expenses	0	0	0	0	(1,320)	(1,320)
Interfund accounts payable	(55,210)	1,738	(53,472)	1,493	(389)	1,104
Cash provided by (used for) operating activities	$ 158,822	$ 67,614	$ 226,436	$ (163,966)	$ 114,423	$ (49,543)