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, 2017 and 2016

(and Report of Independent Auditors')

P: 9/18/2017 4:39 PM

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

Table of Contents

Supplementary Information

Date of Printing: 9/18/2017 4:39 PM

Report on Management's Responsibility

September 15, 2017

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 its employees maintain the highest ethical standards and that its business practices be conducted in a manner that is above reproach.

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

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

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

Rosalea W. Bradley, Chief Executive Officer

David E. Carter, Chief Financial Officer

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

Independent Auditors' Report

The Members of the Authority
Vermont Economic Development Authority:

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, 2017 and 2016, 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Vermont Economic Development Authority, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Burlington, Vermont
September 15, 2017

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

The *Financial Statements with Supplementary Information* consist of three main parts: management's discussion and analysis ("MD&A"); the basic financial statements which provide both short-term and long-term information about the Authority's overall financial status; and the notes to the financial statements which are an integral part of the report as they provide additional explanation and more detailed information regarding the amounts in the basic financial statements and other significant aspects of the Authority's operations. The *Supplementary Information* includes combining financial statements on the Authority's Non-Major Funds and two of VEDA's component unit corporations where certain funds are presented discretely.

The Basic Financial Statements

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

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

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

Special-Purpose Entity

Governmental Accounting Standards Board ("GASB") pronouncements define VEDA as a special-purpose governmental entity that is engaged in business type activities. The business type activity with characteristics most like VEDA is that of a commercial bank. For this reason, **Table 2** presents amounts from the *Statement of Revenues, Expenses and Changes in Net Position* in a format typical for commercial banks. In this format, revenue from cash and investments is added to loan receivable interest and interest expense is subtracted to arrive at a subtotal caption "Net Interest Income". The changes in Net Interest Income are discussed in a special section of the MD&A and presented using analytic techniques found in the MD&A section of many financial institutions (refer to **Tables 4-7). Table 11** in the section titled *Credit Risk Management* presents, as benchmarks, loan loss and allowance for loan loss data for commercial banks regulated by the Federal Deposit Insurance Corporation (FDIC).

Dollar Amounts in Thousands

Table 13 in the section titled *Asset-Liability Management* presents a "gap report," a presentation used in the MD&A of many financial institutions.

Statement of Net Position: Comparison 2015 to 2016 and 2016 to 2017

Table 1 compares the Statement of Net Position of VEDA for years ending 2015-2017.

Table 1: Statement of Net Position				**2015 to 2016**		**2016 to 2017**	
Fiscal Years	**2015**	**2016**	**2017**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Cash and investments	$ 34,787	$ 35,873	$ 31,838	$ 1,086	3%	$ (4,035)	-11%
Loans receivable	209,606	239,437	256,388	29,831	14%	16,951	7%
Allowance for loan losses	(6,988)	(7,216)	(6,511)	(228)	3%	705	-10%
Capital assets	5,622	5,470	5,215	(152)	-3%	(255)	-5%
Other assets	1,587	1,316	1,433	(271)	-17%	117	9%
Total Assets	**$ 244,614**	**$ 274,880**	**$ 288,363**	**$ 30,266**	**12%**	**$ 13,483**	**5%**
Commercial paper	$ 145,700	$ 149,000	$ 92,800	$ 3,300	2%	$ (56,200)	-38%
Notes payable	34,889	62,267	131,870	27,378	78%	69,603	112%
Other liabilities	7,579	6,874	6,923	(705)	-9%	49	1%
Total Liabilities	**$ 188,168**	**$ 218,141**	**$ 231,593**	**$ 29,973**	**16%**	**$ 13,452**	**6%**
Restricted net position	25,794	26,893	26,985	1,099	4%	92	0%
Net investment in capital assets	3,047	3,129	3,114	82	3%	(15)	0%
Unrestricted net position	27,605	26,717	26,671	(888)	-3%	(46)	0%
Total Net Position	**$ 56,446**	**$ 56,739**	**$ 56,770**	**$ 293**	**1%**	**$ 31**	**0%**

Total assets increased $13,483 in 2017, compared to an increase of $30,266 in 2016. The primary reason for the increase in total assets in 2017 and 2016 was the change in loans receivable. The increase in outstanding loans receivable of $16,951 and $29,831 in 2017 and 2016, respectively was funded primarily by an increase in the Authority's debt. In 2017 and 2016, total liabilities increased $13,452 and $29,973, respectively. The Authority executed a debt restructuring where $55,000 of commercial paper was replaced with notes payable (Note 6).

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

Capital assets decreased by $255 in 2017 due to capital asset purchases of $61, offset by depreciation of $316. In 2016 capital assets decreased by $152 due to capital asset purchases of $181, offset by depreciation of $333.

Other assets increased $117 in 2017 due primarily to an increase in notes receivable accrued interest, a result of higher interest rates at the end of 2017 when compared with 2016. Other assets decreased $271 in 2016 due primarily to a decrease in receivable from the State for reimbursement of the loss on a mortgage insurance contract (Note 10).

Other liabilities increased $49 in 2017 due primarily to an increase in accounts payable and accrued expenses. Other liabilities decreased $705 in 2016 due to a combination of a decrease of $393 in "Reserve for losses on insured loans," a decrease of $295 in "Unearned revenue for federal program" and a decrease of $215 in "Other liability – State of Vermont," offset by increases of $127 and $75 in "Accounts payable and accrued expenses" and "Accrued interest payable," respectively.

Total Net Position increased by $31 in 2017, the result of $705 of operating income, the result of significantly lower provision for loan losses and a net increase in fair value of investments of $780, offset by a non-operating loss of $688. In 2016, total Net Position increased by $293, the result of $773 of non-operating income related to revenue from the federal grant of $295 and $616 of "Non-operating revenue – State of Vermont," offset by an operating loss of $480.

Statement of Revenues, Expenses and Changes in Net Position: Comparison of 2015 to 2016 and 2016 to 2017

In 2017, VEDA recorded a change in net position (i.e. net income) of $17 compared to a change in net position of $293 in 2016 and compared to a change in net position of $3,437 in 2015. The decrease in the change in net position in 2016 compared to 2015 was the result of receiving the third and final tranche of federal grant revenue, totaling $4,346, in 2015 (Note 14), offset by the accounting adjustment resulting from the adoption of a new governmental accounting statement (Note 2).

Net Interest Income (also referred to as Net Interest Margin) is the core of the Authority's operations. It changes year to year based on changes in yields and costs and changes in the average balance of cash and investments, loans receivable, and debt outstanding during the year. These changes are analyzed in detail under the heading *Changes in Net Interest Income.*

Table 2 shows the change in net position (results of operations) in each of the past three fiscal years and details the amount and percent of change from 2015 to 2016 and from 2016 to 2017.

Dollar Amounts in Thousands

Table 2: Revenues, Expenses & Changes in Net Position				**2015 to 2016**		**2016 to 2017**	
Fiscal Years	**2015**	**2016**	**2017**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Cash and investment revenue	$ 597	$ 595	$ 601	$ (2)	0%	$ 6	1%
Loans receivable interest	6,942	7,785	9,190	843	12%	1,405	18%
less interest expense	1,642	2,365	3,874	723	44%	1,509	64%
Net Interest Income	**$ 5,897**	**$ 6,015**	**$ 5,917**	**$ 118**	**2%**	**$ (98)**	**-2%**
Add other revenues	997	1,082	930	85	9%	(152)	-14%
Net (decrease) increase in fair value of investments	(133)	1	780	134	-101%	779	77900%
Less provision for loan losses	1,727	1,319	301	(408)	-24%	(1,018)	-77%
Less losses on insured loans	0	129	0	129	0%	(129)	-100%
Less All Other Expenses:							
Staff salaries and benefits	3,484	3,972	4,510	488	14%	538	14%
Professional fees	529	621	518	92	17%	(103)	-17%
Office and administrative	1,063	1,204	1,277	141	13%	73	6%
Depreciation	362	333	316	(29)	-8%	(17)	-5%
Total All Other Expenses	**5,438**	**6,130**	**6,621**	**692**	**13%**	**491**	**8%**
Operating (Loss) Income	**$ (404)**	**$ (480)**	**$ 705**	**$ (76)**	**-19%**	**$ 1,185**	**247%**
Non-operating revenue (expense)	3,841	773	(674)	(3,068)	-80%	(1,447)	-187%
Change in Net Position	**$ 3,437**	**$ 293**	**$ 31**	**$ (3,144)**	**-91%**	**$ (262)**	**-89%**

Table 3 below details the **change in the fair value of investments,** including unrealized and realized gains and losses. Fair values of investments can fluctuate significantly year to year due to changes in interest rates, economic factors and the credit risk associated with investment issuers (Note 3).

Table 3: Change in Fair Value of Investments				**2015 to 2016**		**2016 to 2017**	
Fiscal Years	**2015**	**2016**	**2017**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Unrealized (losses) gains	$ (183)	$ 37	$ 3	$ 220	120%	$ (34)	-92%
Realized gains (losses)	50	(36)	$ 777	(86)	-172%	813	2258%
Net Change in Fair Value	**$ (133)**	**$ 1**	**$ 780**	**$ 134**	**101%**	**$ 779**	**77900%**

Provision for loan losses in 2017, were $1,018 below the 2016 level which was $408 below the 2015 level. More detailed information regarding loan loss provisions and the changes in the allowance for loan losses ("reserves") can be found in this section under the heading *Credit Risk Management* and in Note 4 to the basic financial statements.

Losses on insured loans were zero in 2017. The loss in 2016 of $98 loss was in the last Mortgage Insurance Program which is now terminated. The remaining $31 loss in 2016 was the result of losses in the Vermont Capital Access Program.

Dollar Amounts in Thousands

All other expenses increased $491 or 8% in 2017 compared to an increase of $692 or 13% in 2016. The components are discussed in more detail below:

Staff salaries and benefits in 2017 increased $538, or 14% due primarily to the addition of three new staff in 2017 combined with a full year of expenses for three new staff hired in 2016. A similar situation occurred in 2016 when staff expenses increased $488, or 14% increase in that year, also the result of hiring new staff in 2016 and 2015. In the last two years, VEDA has closed 666 new financings and increased the number of the loans being serviced by 116.

Professional fees in 2017 decreased $103, or -17% due primarily to consulting and collection costs. Professional fees 2016 increased $92, or 17% due primarily to an increase in collection costs of $56 and legal fees of $37.

Office and administrative expenses increased $73 or 6% due primarily to increase of $48 in information technology related expenses plus an increase of $19 in supplies expense. In 2016, these expenses increased $141 or 13% due primarily to increase of $51 in information technology related expenses plus an increase of $70 in occupancy related costs.

Changes in Net Interest Income: 2016 To 2017

Table 4 sets forth information regarding the total dollar amount of interest income earned on interest earning assets (excluding the change in fair value) and the resultant average yields; and the total dollar amount of interest expense on interest bearing liabilities and the resultant average cost. Information is based on average monthly balances.

Table 4: Average Balance and Yield/Cost Comparison, 2016 to 2017

(Table excludes Net Increase or Decrease in Fair Value)

Interest Earning Assets and Interest Bearing Liabilities	2016 Average Balance	2016 Income or Expense	2016 Yield or Cost	2017 Average Balance	2017 Income or Expense	2017 Yield or Cost	Income or Expense Change
Interest earning assets and income:							
Cash and investments	$ 37,468	$ 595	1.59%	$33,086	$ 601	1.82%	$ 6
Loans receivable, net of allowance	224,816	7,785	3.46%	242,637	9,190	3.79%	1,405
Total interest earning assets	**$ 262,284**	**$ 8,380**	**3.20%**	**$ 275,723**	**$ 9,791**	**3.55%**	**$ 1,411**
Interest bearing liabilities and expense:							
Notes payable	$ 49,333	$ 824	1.67%	$91,603	$ 1,741	1.90%	$ 917
Commercial paper	147,029	1,541	1.05%	127,258	2,133	1.68%	592
Total interest bearing liabilities	**$ 196,362**	**$ 2,365**	**1.20%**	**$ 218,861**	**$ 3,874**	**1.77%**	**$ 1,509**
Net Interest Income (and as % of earning assets)		**$ 6,015**	**2.29%**		**$ 5,917**	**2.15%**	**$ (98)**

Table 4 indicates the average yield on earning assets increased from 3.20% in 2016 to 3.55% in 2017. The average cost of interest bearing liabilities increased from 1.20% in 2016 to 1.77% in 2017.

Dollar Amounts in Thousands

Table 5 sets forth information regarding changes in interest income and interest expense for 2016 compared to 2017. For each category of interest earning assets and interest bearing liabilities presented in **Table 4**, information is presented in **Table 5** with respect to: (1) Change in rate (change in rate multiplied by prior year average balance); (2) Change in balance (change in average balance multiplied by prior year rate); and (3) Change in rate/balance (change in rate multiplied by change in average balance).

Table 5: Change in Net Interest Income From 2016 to 2017

(Table excludes Net Increase or Decrease in Fair Value)

For Year Ended June 30, 2017 and 2016 Increases (Decreases) Due To Changes In:	Rate	Average Balance	Rate/ Balance	Total
Income on interest earning assets:				
Cash and investments	$ 86	$ (70)	$ (10)	$ 6
Loans receivable, net of allowance	730	617	58	1,405
Total income on interest earning assets	**816**	**547**	**48**	**1,411**
Expense on interest bearing liabilities:				
Notes payable	114	706	97	917
Commercial paper	923	(207)	(124)	592
Total expense on interest bearing liabilities	**1,037**	**499**	**(27)**	**1,509**
Changes in net interest income	**$ (221)**	**$ 48**	**$ 75**	**$ (98)**

The increase in *Total Income on Interest Earning Assets* of $1,411 in 2017 is due primarily to $816 resulting from an increase in average rates of 0.35% and $547 is due to an increase in average earning assets of $13,439. **Table 5** shows the increase in *Total Expense on Interest Bearing Liabilities* in 2017 of $1,509 was due to a combination of $1,037 due to an increase in average rates of 0.57% and $499 due to an increase in average balances of $22,499.

Table 6 below sets forth the same information as **Table 4**, but for the fiscal years 2015 and 2016.

Table 6: Average Balance and Yield/Cost Comparison, 2015 to 2016

(Table excludes Net Increase or Decrease in Fair Value)

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

Dollar Amounts in Thousands

Table 7 below presents the same information regarding **Table 6** for 2015 with 2016 as **Table 5** presented relative to **Table 4** for fiscal years 2016 with 2017.

Table 7: Change in Net Interest Income From 2015 to 2016

(Table excludes Net Increase or Decrease in Fair Value)

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

Statement of Cash Flows

Table 8 is a cash flow statement that provides important information about how the Authority utilizes the cash flows from its business operations. Operations are grouped by four categories of activities: *Operating Activities* include the disbursing and collecting on loans receivable and paying for operating expenses; *Non-Capital Financing Activities* include proceeds and payments on notes payable and commercial paper, as well as non-operating revenues or expenses*; Investing Activities* are the result of investment purchases and sales; and *Capital Investment Activities include* the purchase and the financing of capital assets and related repayments.

Table 8: Statement of Cash Flows				**2015 to 2016**		**2016 to 2017**	
Fiscal Years	**2015**	**2016**	**2017**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Cash flows provided by or (used for) various activities are presented as positive or (negative) numbers, respectively:							
Principal payments received	$ 30,842	$ 36,210	$ 38,690	$ 5,368	17%	$ 2,480	7%
Principal disbursed on loans	(48,592)	(67,816)	(60,245)	(19,224)	-40%	7,571	11%
All other operating activities	2,889	3,743	7,385	854	30%	3,642	97%
Operating Activities	**$ (14,861)**	**$ (27,863)**	**$ (14,170)**	**$ (13,002)**	**-87%**	**$ 13,693**	**49%**
Non-capital financing activities	11,394	29,013	9,370	17,619	155%	(19,643)	-68%
Investing activities	793	315	2,637	(478)	-60%	2,322	737%
Capital investment activities	(339)	(487)	(367)	(148)	-44%	120	25%
Net (descrease) increase in cash and cash equivalents	**$ (3,013)**	**$ 978**	**$ (2,530)**	**$ 3,991**	**132%**	**$ (3,508)**	**-359%**

Dollar Amounts in Thousands

Table 8 shows that $7,751 less principal was disbursed on loans receivable in 2017 than in 2016 and 2016 was $19,224 more than the disbursement total in 2015. Principal received on loans receivable in 2017 was $2,480 greater than in 2016 and the 2016 total was $5,368 more than in 2015. This combined with the net cash received from all other operating activities in 2017 (primarily interest and fees collected less operating expenses paid) created the need for $14,170 of cash. Cash balances declined $2,530 in 2017 and most of the remaining cash used for operations was provided by $9,370 in new borrowings (*Non-Capital Financing Activities*) and $2,637 from investing activities. The increase of $3,642 in cash provided by all other operating activities used in 2017 was due primarily to the proceeds from sale of loans receivable.

Credit Risk Management

Credit risk is the risk that a borrower will default on the obligation to repay their debts. To provide for this risk the Authority maintains allowances for loan losses ("reserves") on specific loans receivable where a loss is determined to be probable. VEDA also maintains general reserves for future losses not yet identified that are estimated based on historical loss experience, economic conditions, industry concentration and expectation of future events that would adversely affect VEDA borrowers. **Table 9** below details the specific and general reserves and the total reserves as a percentage of outstanding loans receivable balances at June 30, 2017, 2016 and 2015.

Table 9: Change in Allowance for Loan Losses From 2015 to 2017

Total for Years Ending	Total Loans Receivable at June 30	Specific Reserves at June 30	General Reserves at June 30	Total Reserves at June 30	*Reserves as a % of Total Loans Receivable*		
					Specific	General	Total
2017	$ 256,388	$ 2,181	$ 4,330	$ 6,511	0.85%	1.69%	2.54%
2016	$ 239,437	$ 2,977	$ 4,239	$ 7,216	1.24%	1.77%	3.01%
2015	$ 209,606	$ 3,267	$ 3,721	$ 6,988	1.56%	1.78%	3.33%

The Authority's allowance for loan losses at June 30, 2017 totaled $6,511 or 2.54% of outstanding loans receivable. This compares to an allowance of $7,216 or 3.01% of outstanding loans receivable at the end of 2016 and to an allowance of $6,988 or 3.33% of the outstanding loans receivable at the end of 2015. Changes in the allowance are due to provisions for losses combined with loans that have been charged-off against the reserves (net of any recoveries). More detail on the changes in the reserves can be found in Note 4 of the financial statements.

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

Dollar Amounts in Thousands

Table 10 below, shows the ratio of loan loss provisions to average outstanding loans for the past three fiscal years plus the rolling three and ten year averages:

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

Averages for Period	Fiscal Yr. 2017	Fiscal Yr. 2016	Fiscal Yr. 2015	3 Years 2015 - 2017	10 Years 2008 - 2017
Loan Loss Provisions as a % of Average Outstanding Loans	0.12%	0.59%	0.86%	0.50%	0.75%

As a benchmark for how VEDA's loan losses and reserves compare to commercial banks, **Table 11** presents the same allowance for loan loss and loan loss provision ratios presented in **Table 9** and **Table 10** for commercial banks with total assets up to $500,000 that are regulated by the Federal Deposit Insurance Corporation (FDIC). The FDIC data is for the year ended December 31, 2016.

Table 11: Commercial Bank Statistics

Data is from www/fdic.gov	FDIC Insured Commercial Banks By Size		
Data is for the year ended December 31, 2016	Assets < $100M	Assets $100-$300M	Assets $300-$500M
Loan Loss Provisions as a % of Average Outstanding Loans	0.24%	0.20%	0.21%
Allowances (Reserves) as a % of Outstanding Loans at Year End	1.49%	1.41%	1.36%

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

Capital Adequacy

Table 12 details the Authority's net position as a percentage of total assets at June 30, 2017, 2016 and 2015. The Authority must maintain strong net position levels relative to total assets to enable it to borrow at favorable terms in the capital markets.

Table 12: Net Position as a % of Total Assets

As of June 30:	VJF	VACC	VSBDC	VEDA
2017	22%	15%	18%	20%
2016	23%	17%	17%	21%
2015	29%	16%	17%	24%

Asset-Liability Management

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

Dollar Amounts in Thousands

Table 13 is a "Gap Analysis," and shows the "gap" or the mismatching of assets, liabilities and net position within various time horizons based on the earlier of the next interest rate reset date for variable rate instruments or maturity date:

Table 13: Gap Repricing/Maturity Analysis

Repricing Horizon at June 30, 2017	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	$ 4,777	$ 0	$ 0	$ 0	$ 0	$ 4,777
Investments	18	55	6,652	10,512	9,824	27,061
Loans receivable	187,226	4,667	23,912	34,072	0	249,877
Other	0	0	0	0	6,648	6,648
Total assets	**$ 192,021**	**$ 4,722**	**$ 30,564**	**$ 44,584**	**$ 16,472**	**$ 288,363**
Debt	$ 179,933	$ 399	$ 2,497	$ 41,841	$ 0	$ 224,670
Other liabilities & net position	0	0	0	0	63,693	63,693
Total liabilities & net position	**$ 179,933**	**$ 399**	**$ 2,497**	**$ 41,841**	**$ 63,693**	**$ 288,363**
Repricing "Gap"	**$ 12,088**	**$ 4,323**	**$ 28,067**	**$ 2,743**	**$ (47,221)**	**$ 0**

At June 30, 2017, the Authority's "Within 3-Months" repricing gap was a positive $12,088. This means more assets either mature or have interest rates that reset within this period than do liabilities. When more assets than liabilities reprice or mature in a period of rising interest rates, net interest income will increase; conversely, when interest rates decline, net interest income would decrease.

The combined repricing gap from within three months to five years is $44,478 at June 30, 2017 compared to $22,901 at June 30, 2016. This change is due primarily to the result of closing on $27,000 of new fixed-rate debt in 2017, $22,000 of which matures in more than five years.

Interest Rate Subsidy Program

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

To foster economic development, to stimulate economic activity, and to provide assistance to targeted business sectors, 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").

Dollar Amounts in Thousands

Table 14 shows funds received since fiscal year 2000 from various sources to be used for interest subsidies. Subsidy funds have come to VEDA in several forms including appropriations, grants, debt forgiveness, and advances and are detailed in written agreements between VEDA and the federal or state granting entity. These agreements often include restrictions regarding how and when the funds are used.

Table 14: Subsidy Funds Provided, Used & Available

Fiscal Years:	2000 - 2002	2003 - 2007	2008 - 2012	2013 - 2017
Provided	$ 3,352	$ 4,802	$ 11,286	$ 8,892
Used	483	5,029	5,156	9,925
Available (Cumulative)	**$ 2,869**	**$ 2,642**	**$ 8,772**	**$ 7,739**

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

The Authority had $7,739 and $9,603 of resources either restricted or internally allocated for interest rate subsidies at the end of June 30, 2017 and 2016, respectively. These balances represent interest subsidy funds received by VEDA that have not yet been used (or earned) on either interest subsidy commitments to existing borrowers or for subsidies on loans yet to be made. Of the $7,739 of resources available for subsidies at June 30, 2017, $7,726 is recorded under the caption *Unrestricted Net position* on the Statement of Net Position and represents the portion of unrestricted net position that has been internally allocated for future subsidies by the Board of the Authority. At June 30, 2016, $9,548 of the $9,603 of resources available for subsidies was recorded under the caption *Unrestricted Net position.*

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Net Position as of June 30, 2017

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Current Assets:					
Cash and cash equivalents:					
Unrestricted	$ 1,709	$ 354	$ 616	$ 801	$ 3,480
Restricted	1,283	0	0	14	1,297
Total cash and cash equivalents	2,992	354	616	815	4,777
Loans receivable	26,646	1,720	2,210	614	31,190
Accrued interest receivable	226	225	39	9	499
Other assets	628	306	0	0	934
Total current assets	30,492	2,605	2,865	1,438	37,400
Investments					
Unrestricted	667	0	0	0	667
Restricted	25,647	747	0	0	26,394
Total investments	26,314	747	0	0	27,061
Loans receivable, less current portion	113,009	87,682	20,521	3,986	225,198
Less allowance for loan losses	(4,304)	(563)	(1,390)	(254)	(6,511)
Loans receivable, less current portion, net of allowance	108,705	87,119	19,131	3,732	218,687
Capital assets, net of accumulated depreciation	5,215	0	0	0	5,215
Total assets	**$ 170,726**	**$ 90,471**	**$ 21,996**	**$ 5,170**	**$ 288,363**
Current Liabilities:					
Commercial paper	$ 92,800	$ 0	$ 0	$ 0	$ 92,800
Interfund notes (receivable) payable	(77,190)	63,300	12,740	1,150	0
Notes payable	248	12,000	234	50	12,532
Escrow and reserve accounts	162	0	0	0	162
Accounts payable and accrued expenses	781	218	3	0	1,002
Interfund accounts (receivable) payable	(1,155)	1,176	31	(52)	0
Other liability - State of Vermont	5,500	0	14	0	5,514
Accrued interest payable	175	28	29	13	245
Total current liabilities	21,321	76,722	13,051	1,161	112,255
Notes payable, less current portion	111,853	0	4,958	2,527	119,338
Total liabilities	**$ 133,174**	**$ 76,722**	**$ 18,009**	**$ 3,688**	**$ 231,593**
Restricted net position	26,224	747	0	14	26,985
Net investment in capital assets	3,114	0	0	0	3,114
Unrestricted net position	8,214	13,002	3,987	1,468	26,671
Total net position	**$ 37,552**	**$ 13,749**	**$ 3,987**	**$ 1,482**	**$ 56,770**

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, 2016

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Current Assets:					
Cash and cash equivalents:					
Unrestricted	$ 1,899	$ 413	$ 1,150	$ 567	$ 4,029
Restricted	3,273	0	0	5	3,278
Total cash and cash equivalents	5,172	413	1,150	572	7,307
Loans receivable	25,357	3,169	2,987	483	31,996
Accrued interest receivable	195	173	41	7	416
Other assets	604	295	1	0	900
Total current assets	31,328	4,050	4,179	1,062	40,619
Investments					
Unrestricted	4,501	0	0	0	4,501
Restricted	23,397	668	0	0	24,065
Total investments	27,898	668	0	0	28,566
Loans receivable, less current portion	107,819	78,365	18,371	2,886	207,441
Less allowance for loan losses	(5,239)	(242)	(1,485)	(250)	(7,216)
Loans receivable, less current portion, net of allowance	102,580	78,123	16,886	2,636	200,225
Capital assets, net of accumulated depreciation	5,470	0	0	0	5,470
Total assets	**$ 167,276**	**$ 82,841**	**$ 21,065**	**$ 3,698**	**$ 274,880**
Current Liabilities:					
Commercial paper	$ 149,000	$ 0	$ 0	$ 0	$ 149,000
Interfund notes (receivable) payable	(50,365)	37,550	12,815	0	0
Notes payable	241	30,500	229	50	31,020
Escrow and reserve accounts	162	0	0	0	162
Accounts payable and accrued expenses	850	77	1	1	929
Interfund accounts (receivable) payable	(947)	698	(10)	259	0
Other liability - State of Vermont	5,500	0	18	0	5,518
Accrued interest payable	170	58	24	13	265
Total current liabilities	104,611	68,883	13,077	323	186,894
Notes payable, less current portion	24,600	0	4,320	2,327	31,247
Total liabilities	**$ 129,211**	**$ 68,883**	**$ 17,397**	**$ 2,650**	**$ 218,141**
Restricted net position (restated)	26,182	706	0	5	26,893
Net investment in capital assets	3,129	0	0	0	3,129
Unrestricted net position (restated)	8,754	13,252	3,668	1,043	26,717
Total net position (restated)	**$ 38,065**	**$ 13,958**	**$ 3,668**	**$ 1,048**	**$ 56,739**

See accompanying notes to the basic financial statements

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2017

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Non-Major Funds Combined	VEDA Combined Total
Operating Revenues:					
Cash and investment revenue	$ 550	$ 5	$ 5	$ 41	$ 601
Net increase in fair value of investments	780	0	0	0	780
Loans receivable interest	4,289	3,744	1,022	135	9,190
Other revenues	571	143	51	165	930
Total operating revenues	6,190	3,892	1,078	341	11,501
Operating Expenses:					
Commercial paper and notes payable interest	3,305	495	50	24	3,874
Interfund interest (revenue) expense	(905)	699	197	9	0
Provision for loan losses	(26)	330	(7)	4	301
Staff salaries, expenses, and benefits	3,362	1,148	0	0	4,510
Professional fees	347	159	8	4	518
Office and administrative expenses	1,277	0	0	0	1,277
Interfund (revenue) expense allocation	(2,232)	1,598	484	150	0
Depreciation of capital assets	316	0	0	0	316
Total operating expenses	5,444	4,429	732	191	10,796
Operating income (loss)	**746**	**(537)**	**346**	**150**	**705**
Non-operating (expense) revenue:					
Federal grant revenue earned	60	0	0	0	60
Non-operating expense - State of Vermont	(500)	0	0	0	(500)
Non-operating revenue - seed capital fund	10	0	0	0	10
Advance appropriation earned	0	0	4	0	4
Capital access program rebate expense	(15)	0	0	0	(15)
Net decrease in fair value of venture fund investments	(233)	0	0	0	(233)
Interfund non-operating (expense) revenue	(581)	328	(31)	284	0
Total non-operating (expense) revenue	(1,259)	328	(27)	284	(674)
Net (decrease) increase in net position	**(513)**	**(209)**	**319**	**434**	**31**
Net position at beginning of year	38,065	13,958	3,668	1,048	56,739
Net position at end of year	**$ 37,552**	**$ 13,749**	**$ 3,987**	**$ 1,482**	**$ 56,770**

See accompanying notes to the basic financial statements

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

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

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Cash Flows

For the Year Ended June 30, 2017

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Sm. Business Dev. Corp.	Non-Major Funds Combined	VEDA Combined Total
Cash flows from operating activities:					
Interest received on loans receivable	$ 4,264	$ 3,686	$ 1,024	$ 133	$ 9,107
Other revenues received	571	143	51	165	930
Operating expenses paid other than interest	(3,046)	(2,297)	(448)	(466)	(6,257)
Proceeds from sale of loans receivable	0	3,605	0	0	3,605
Principal received on loans receivable	18,506	15,124	4,205	855	38,690
Principal disbursed on loans receivable	(23,545)	(28,948)	(5,666)	(2,086)	(60,245)
Net cash used for operating activities	**(3,250)**	**(8,687)**	**(834)**	**(1,399)**	**(14,170)**
Cash flows from non-capital financing activities:					
Commercial paper and notes payable interest paid	(3,234)	(525)	(45)	(24)	(3,828)
Interfund notes payable interest received (paid)	905	(699)	(197)	(9)	0
Federal grant funds received	60	0	0	0	60
Interfund non-operating (expense) revenue	(581)	328	(31)	284	0
Interfund transfer of loans receivable	(2,348)	2,348	0	0	0
Non-operating expense - State of Vermont	(500)	0	0	0	(500)
Non-operating revenue - seed capital fund	10	0	0	0	10
Proceeds from issuance of commercial paper	1,164,450	0	0	0	1,164,450
Payments on maturing commercial paper	(1,220,650)	0	0	0	(1,220,650)
Proceeds (disbursed) received on interfund notes payable	(40,525)	38,750	625	1,150	0
Payments received (paid) on interfund notes payable	13,700	(13,000)	(700)	0	0
Proceeds from notes payable	87,500	15,000	875	250	103,625
Payments on notes payable	0	(33,500)	(232)	(50)	(33,782)
Capital access program rebates paid	(15)	0	0	0	(15)
Net cash (used for) provided by non-capital financing activities	**(1,228)**	**8,702**	**295**	**1,601**	**9,370**
Cash flows from investing activities:					
Redemption or sale of investments	13,484	0	0	0	13,484
Purchase of investments	(11,361)	(79)	0	0	(11,440)
Revenue received on cash and investments	542	5	5	41	593
Net cash provided by (used for) investing activities	**2,665**	**(74)**	**5**	**41**	**2,637**
Cash flows from capital and related financing activities:					
Purchase of capital assets	(61)	0	0	0	(61)
Payments on mortgage note payable	(240)	0	0	0	(240)
Interest paid on mortgage note payable	(66)	0	0	0	(66)
Net cash used for capital and related financing activities	**(367)**	**0**	**0**	**0**	**(367)**
Net (decrease) increase in cash and cash equivalents	**(2,180)**	**(59)**	**(534)**	**243**	**(2,530)**
Cash and cash equivalents at beginning of year	5,172	413	1,150	572	7,307
Cash and cash equivalents at end of year	**$ 2,992**	**$ 354**	**$ 616**	**$ 815**	**$ 4,777**

See accompanying notes to the basic financial statements

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2017

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Sm. Business Dev. Corp.	Non-Major Funds Combined	VEDA Combined Total
Reconciliation of Operating income (loss) to net cash used for operating activities:					
Operating income (loss)	$ 746	$ (537)	$ 346	$ 150	$ 705
Adjustments to reconcile operating income (loss) to net cash used for operating activities:					
Interest revenue on investment activities	(542)	(5)	(5)	(41)	(593)
Net decrease in fair value of investments	(780)	0	0	0	(780)
Interest expense	3,305	495	50	24	3,874
Interest (revenue) expense for interfund activities	(905)	699	197	9	0
Provision for loan losses	(26)	330	(7)	4	301
Depreciation expense	316	0	0	0	316
Changes in assets and liabilities:					
Loans receivable	(4,131)	(10,216)	(1,373)	(1,231)	(16,951)
Allowance for loan losses	(909)	(9)	(88)	0	(1,006)
Accrued loan interest receivable	(23)	(52)	2	(2)	(75)
Other assets	(24)	(11)	1	0	(34)
Accounts payable and accrued expenses	(69)	141	2	(1)	73
Interfund accounts payable (receivable)	(208)	478	41	(311)	0
Net cash used for operating activities	**$ (3,250)**	**$ (8,687)**	**$ (834)**	**$ (1,399)**	**$ (14,170)**

See accompanying notes to the basic financial statements

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2016

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Sm. Business Dev. Corp.	Non-Major Funds Combined	VEDA Combined Total
Cash flows from operating activities:					
Interest received on loans receivable	$ 3,473	$ 3,825	$ 975	$ 116	$ 8,389
Other revenues received	622	198	71	191	1,082
Operating expenses paid other than interest	(2,768)	(2,056)	(953)	56	(5,721)
Receipts from (disbursements to) VCAP and FAP participating banks, net	40	0	0	(47)	(7)
Principal received on loans receivable	7,211	24,664	4,030	305	36,210
Principal disbursed on loans receivable	(30,628)	(30,592)	(5,389)	(1,207)	(67,816)
Net cash used for operating activities	**(22,050)**	**(3,961)**	**(1,266)**	**(586)**	**(27,863)**
Cash flows from non-capital financing activities:					
Commercial paper and notes payable interest paid	(1,814)	(337)	(44)	(21)	(2,216)
Interfund notes payable Interest received (paid)	623	(477)	(146)	0	0
Advanced funds returned to State of Vermont	(201)	0	0	0	(201)
Interfund non-operating funds (paid) received	(986)	1,000	(16)	2	0
Interfund transfer of loans receivable (out)	0	0	260	(260)	0
Non-operating revenue received - State of Vermont	518	0	0	507	1,025
Non-operating expense paid - State of Vermont	0	0	0	(14)	(14)
Non-operating revenue received - seed capital fund	11	0	0	0	11
Proceeds from issuance of commercial paper	1,181,100	0	0	0	1,181,100
Payments on maturing commercial paper	(1,177,800)	0	0	0	(1,177,800)
Proceeds (disbursed) received on interfund notes payable	(25,700)	24,250	1,450	0	0
Payments received (paid) on interfund notes payable	35,700	(35,600)	(100)	0	0
Proceeds from notes payable	12,500	35,500	0	390	48,390
Payments on notes payable	0	(20,500)	(229)	(49)	(20,778)
Capital access program rebates paid	(13)	0	0	0	(13)
Payments to banks for losses on insured loans, net	0	0	0	(491)	(491)
Net cash provided by non-capital financing activities	**23,938**	**3,836**	**1,175**	**64**	**29,013**
Cash flows from investing activities:					
Redemption or sale of investments	1,283	0	0	0	1,283
Purchase of investments	(1,514)	(48)	0	0	(1,562)
Revenue received on cash and investments	576	3	6	9	594
Net cash provided by (used for) investing activities	**345**	**(45)**	**6**	**9**	**315**
Cash flows from capital and related financing activities:					
Purchase of capital assets	(181)	0	0	0	(181)
Payments on mortgage note payable	(234)	0	0	0	(234)
Interest paid on mortgage note payable	(72)	0	0	0	(72)
Net cash used for capital and related financing activities	**(487)**	**0**	**0**	**0**	**(487)**
Net increase (decrease) in cash and cash equivalents	**1,746**	**(170)**	**(85)**	**(513)**	**978**
Cash and cash equivalents at beginning of year	3,426	583	1,235	1,085	6,329
Cash and cash equivalents at end of year	**$ 5,172**	**$ 413**	**$ 1,150**	**$ 572**	**$ 7,307**

See accompanying notes to the basic financial statements

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Cash Flows

For the Year Ended June 30, 2016

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Sm. Business Dev. 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)	$ (962)	$ 265	$ 244	$ (27)	$ (480)
Adjustments to reconcile operating (loss) income to net cash used for operating activities:					
Interest revenue on investment activities	(576)	(3)	(6)	(9)	(594)
Net increase in fair value of investments	(1)	0	0	0	(1)
Interest expense	1,927	370	46	22	2,365
Interest (income) expense for interfund financing	(623)	477	146	0	0
Provision for loan losses	1,082	(8)	194	51	1,319
Provision for losses on insured loans	31	0	0	98	129
Change in receivable from VCP	22	0	0	0	22
Depreciation expense	333	0	0	0	333
Changes in assets and liabilities:					
Loans receivable	(22,817)	(4,992)	(1,120)	(902)	(29,831)
Allowance for loan losses	(534)	(349)	(239)	0	(1,122)
Accrued interest receivable	(27)	(52)	0	(2)	(81)
Other assets	71	(116)	2	0	(43)
Escrow and reserve accounts	40	0	0	(47)	(7)
Accounts payable and accrued expenses	139	(10)	(2)	1	128
Interfund accounts payable (receivable)	(155)	457	(531)	229	0
Net cash (used for) provided by operating activities	**$ (22,050)**	**$ (3,961)**	**$ (1,266)**	**$ (586)**	**$ (27,863)**

See accompanying notes to the basic financial statements

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Fiduciary Assets and Liabilities for the Agency Funds
as of June 30, 2017 and 2016

Dollar Amounts in Thousands	2017 Agency Funds	2016 Agency Funds
Assets		
Current Assets:		
Restricted cash and cash equivalents	$ 5,453	$ 6,337
Loans receivable	1,387	1,217
Total current assets	6,840	7,554
Loans receivable, less current portion	18,968	18,206
Total assets	**$ 25,808**	**$ 25,760**
Liabilities		
Current Liabilities:		
Due to Drinking Water State Revolving Fund	$ 17,016	$ 16,914
Due to Clean Energy Development Fund	3,558	3,935
Due to State Infrastructure Bank	2,134	3,354
Due to Brownfields Revolving Loan Fund	1,604	1,354
Due to Windham County Economic Development Fund	1,496	203
Total liabilities	**$ 25,808**	**$ 25,760**

See accompanying notes to the basic financial statements

(1) Authorizing Legislation and Programs

(a) Authorizing Legislation

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

The Authority is governed by a fifteen-member board (the "Board"). The Board is comprised of five State officials: the State Treasurer, the Secretary of the Agency of Commerce and Community Development, the Secretary of Agriculture, Food and Markets, the Commissioner of Forests, Parks and Recreation, and the Commissioner of Public Service. The remaining Board members are ten citizens of the State appointed by the Governor with the advice and consent of the Senate.

In accordance with the enabling legislation which created the Authority, the State of Vermont reserves the right, at its sole discretion, and at any time, to alter or change the structure, organization, programs or activities of the Authority. This enabling legislation includes the power to terminate the Authority, subject to any limitation on the impairment of contracts entered into by the Authority. This enabling legislation is silent as to whether the State has any responsibility to fund deficits which the Authority may incur other than those deficits specifically described in these notes.

(b) Programs of the Authority

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

Vermont Jobs Fund ("VJF")

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

Loans to Development Corporations

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

Industrial Development Bonds ("IDB")

This program is established under Subchapter 4 of the VEDA statute. This program is designed to aid businesses and not-for-profit enterprises through the Authority's issuance of tax-exempt bonds. Allowable financing purposes include the acquisition of land, buildings, machinery and equipment for use in an industrial facility or for a not-for-profit enterprise. Since 1988, the Authority has issued $660,676 of these bonds and $251,182 and $286,813 remain outstanding at June 30, 2017 and 2016 respectively. The bonds are not general obligations of the State of Vermont or the Authority and do not constitute indebtedness or a charge against the general credit or taxing power of the State of Vermont or the Authority.

In 2017 and 2016 the Authority received $64 and $53, respectively, in fees for issuing industrial development bonds.

Direct Loans to Businesses

Loans in this group are established primarily under Subchapter 5 of the VEDA statute as well as Subchapter 12. Allowable lending purposes include the purchase of land, the purchase, construction and renovation of buildings, and the purchase and installation of machinery and equipment for use in an eligible facility or project. Included in this group are loans made under the "Vermont Entrepreneurial Loan Program ("ELP"), loans for technology infrastructure and for incubator facilities.

Vermont Sustainable Energy Loan Fund ("VSELF")

This program is established under Subchapter 13 of the VEDA statute. This program is designed to make loans and provide other forms of financing for projects that stimulate and encourage development and deployment of sustainable energy projects in the State.

VEDA Capital Access Program ("VCAP")

The VCAP establishes cash reserves at participating financial institutions ("banks") throughout the State. Banks enroll eligible loans and contribute an amount equal to 6% of the enrolled loan amount to a reserve account held at the bank; enrolled loans cannot exceed $250. VEDA matches the banks' contribution with an equal contribution to create a pooled cash reserve for loan losses. Banks can claim losses they incur on any enrolled loans in amounts not to exceed the outstanding cash reserve balance. The cash reserve amounts are included under the captions "Restricted cash and cash equivalents," and the banks portion of the reserve is recorded under the caption "Escrow and reserve accounts" and VEDA's portion is recorded as part of "Restricted net position" on the *Statement of Net Position*. VEDA also provides a rebate equal to 3% of the enrolled loan amount to participating banks and this expense is recorded under the caption "Capital Access Program Rebate Expense" on the *Statement of Revenues, Expenses and Changes in Net Position*.

Vermont Agricultural Credit Corporation ("VACC")

The Authority operates its agricultural loan programs through the VACC. The VACC derives its revenues primarily from interest on lending operations. The purpose of the VACC is to aid family farmers and agricultural facility operators by making available direct loans at favorable rates and terms. At June 30, 2017 and 2016, $48,891 and $48,536, respectively, of the outstanding balance of the loans receivable carried guarantees of the federal government; the federal guarantees range from 80% to 95% of the outstanding balance and the average federal guarantee on these loans was 90% at both June 30, 2017 and 2016. The remaining VACC loans receivable carry no federal guarantees. These loans totaled $40,509 and $32,998 at June 30, 2017 and 2016, respectively.

Vermont Small Business Development Corporation ("VSBDC")

Within the VSBDC there are two funds:

VSBDC IRP Fund

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

VSBDC Loan Fund

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

Non-Major Funds

Vermont 504 Corporation ("VT504")

Within the VT504 there are two funds:

VT504 CDC Fund

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

In 2016, the VT504 CDC Fund began participating in an SBA loan guarantee program called "Community Advantage" ("CA"). Loans made under the CA program are guaranteed by the full faith and credit of the federal government at either 75% or 80%. At June 30, 2017 and 2016, there was $1,474 and $387 of CA loans outstanding and the average guarantee was 80% and 79%, respectively.

VT504 IRP Fund

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

Mortgage Insurance Program ("MIP")

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

Financial Access Program ("FAP")

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

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

Agency Funds ("AGN")

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

(c) Blended Component Units

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Cash and Cash Equivalents

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

(c) Restricted Cash and Cash Equivalents

Certain cash and cash equivalents in the VJF are restricted under a trust indenture and held by a trustee in the Authority's name to pay interest at maturity on VEDA's outstanding commercial paper (Note 5). Cash in reserve accounts for the VCAP and FAP are restricted (in the VJF).

(d) Unrestricted and Restricted Investments

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

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

The VJF has an unrestricted investment in Vermont Capital Partners, LP ("VCP", Note 3). VCP is a limited partnership in which VEDA operates as General Partner. VEDA's capital contribution to VCP represents 42% of the total VCP capital. The investments in limited partnerships are recorded at net asset value as a practical expedient to fair value. The net asset value at June 30, 2017 and 2016 was $0 and $208, respectively.

The VJF has a restricted investment in the Vermont Seed Capital Fund, LP ("VSCF," Note 3). The authorizing legislation provided for continued reinvestment of any revenues in the VSCF. The invested funds cannot be used by VEDA except for investment in a seed capital fund; consequently, they are recorded under the caption "Restricted investments" and comprise a portion of "Restricted net position" on the *Statement of Net Position* (Note 13). The net asset value at June 30, 2017 and 2016 was $3,382 and $3,397, respectively.

(e) Loans Receivable

Loans receivable are recorded at the uncollected principal balance, net of any loans sold without recourse. In 2017 and 2016, the Authority sold $3,605 and $797 in guaranteed loan receivable balances, respectively in the VACC. At June 30, 2017 and 2016, the VACC had $4,555 and $1,307, respectively of outstanding loans sold without recourse. There was no gain or loss on the sales.

In 2017 and 2016, $2,358 and $9,039 in loans receivable were sold from the VACC to the VJF, respectively for cash. The loans receivable outstanding in the VACC are shown net of these loans which totaled $11,216 and $8,868 at June 30, 2017 and 2016, 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. While in nonaccrual status, interest income is recognized only when collected, and accrual of interest is resumed when collection of the total amount in arrears is received, or the collectability of all future amounts due is determined to be probable.

The outstanding balance of nonaccrual loans at June 30, 2017 and 2016 was $11,302 and $10,990, respectively. These amounts represent 4.41% and 4.63% of total loans receivable outstanding at June 30, 2017 and 2016, respectively. The allowance for loan losses specific to nonaccrual loans totaled $1,420 and $1,920 at June 30, 2017 and 2016, respectively which represented 13% and 17%, respectively of the nonaccrual loans outstanding. Total interest collected on nonaccrual loans in the years ended 2017 and 2016 was $326 and $397, respectively.

Dollar Amounts are in Thousands

(h) Capital Assets

VEDA's capital assets include real estate ("RE"), Leasehold Improvements ("LHI") and furniture, fixtures & equipment ("FF&E"). RE includes land and two buildings. LHI are capital improvements made to property leased from a third party (Note 8). FF&E includes office furniture and fixtures and office equipment including computer hardware and software where the cost exceeds one thousand dollars. All assets are stated at cost net of accumulated depreciation. The charts below show the changes in capital assets and accumulated depreciation for the years ended June 30, 2017 and 2016:

Capital Assets Schedule For the Year Ending June 30, 2017:	**Beginning Capital Assets**	**Add New Capital Assets**	**Less Current Year Depreciation**	**Less Assets Retired**	**Ending Capital Assets**
Real Estate - Montpelier	$ 5,731	$ 0	$ 0	$ 0	$ 5,731
Leasehold Improvements - Burlington	197	4	0	0	201
Accumulated Depreciation - RE & LHI	(1,300)	0	(179)	0	(1,479)
Furniture, fixtures and equipment	1,478	57	0	0	1,535
Accumulated Depreciation - FF&E	(1,136)	0	(137)	0	(1,273)
Developed Land - Montpelier	500	0	0	0	500
Total Capital Assets, net	**$ 5,470**	**$ 61**	**$ (316)**	**$ 0**	**$ 5,215**

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

The Authority depreciates capital assets (except land and land improvements) using the straight-line method over the estimated useful life of the asset. VEDA uses fifteen to forty years for RE and RE improvements; three to five years for computer related hardware and software; and up to ten years for furniture and fixtures. LHI are depreciated over the life of the lease (Note 8).

(i) Restricted Net Position

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

(j) Operating Revenues and Expenses

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

(k) Allocation of Expenses

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

(l) Interfund Transfers

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

(m) Use of Estimates

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

(3) Cash Equivalents and Investments

Cash Equivalents

The Authority's cash equivalents include collateralized deposits and money market accounts.
Deposits are collateralized with securities held in trust in the name of the bank for the benefit of the Authority. The total money market accounts at June 30, 2017 and 2016 were $274 and $131, respectively. The balances were comprised of direct obligations of the U.S. Government.

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 $5,453 and $6,337 at June 30, 2017 and 2016, respectively. A trust indenture governs how restricted cash and cash equivalents in the VJF can be invested. The restricted cash is partial collateral for VEDA commercial paper (Note 5). Allowable investments under the trust indenture are the same as investments allowed under the Authority's investment policy. The bank balance of the collateralized deposit accounts approximates book balance shown in the charts below. The book balance of cash and cash equivalents for the past two years are presented in the charts below:

Dollar Amounts are in Thousands

Cash and Cash Equivalent Balances at June 30, 2017:	VJF	VACC	VSBDC	NON-MAJOR FUNDS COMBINED	VEDA TOTAL
Collateralized deposit accounts	$ 2,718	$ 354	$ 616	$ 815	$ 4,503
Money market accounts	274	0	0	0	274
Total cash and cash equivalents	**$ 2,992**	**$ 354**	**$ 616**	**$ 815**	**$ 4,777**

Cash and Cash Equivalent Balances at June 30, 2016:	VJF	VACC	VSBDC	NON-MAJOR FUNDS COMBINED	VEDA TOTAL
Collateralized deposit accounts	$ 5,041	$ 413	$ 1,150	$ 572	$ 7,176
Money market accounts	131	0	0	0	131
Total cash and cash equivalents	**$ 5,172**	**$ 413**	**$ 1,150**	**$ 572**	**$ 7,307**

Investments

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

Bond Mutual Funds

The Authority invests in two bond market indexed mutual funds that are Level 1 investments. One mutual fund is indexed to mirror the Barclay's Aggregate Bond Market Index™. The second mutual fund is comprised of corporate bonds with an average maturity of less than one year.

Equity Mutual Funds & Exchange-Traded Funds ("ETF")

At the end of fiscal 2016, the Authority held positions in three equity indexed mutual funds that were Level 1 investments. One mutual fund was indexed to the S&P 500 stock market index™, the second mutual fund was indexed to international developing markets and the third mutual fund was indexed to international emerging markets. In fiscal 2017, the Authority sold its position in the three equity mutual funds, realizing a gain on the sale of $741. The proceeds were reinvested in the two bond mutual funds described above and a portion into an S&P Index ETF.

Cobank, ACB Stock

As part of its borrowing relationship with Cobank, ACB (Note 6), the VACC is required to own Cobank stock in amounts relative to the VACC's outstanding debt with Cobank, adjusted annually. The stock is held by Cobank in the name of the VACC and is considered a Level 3 investment because Cobank stock is non-marketable; it is valued at cost. At June 30, 2017 and 2016, the VACC owned $747 and $668 of CoBank stock, respectively.

Vermont Capital Partners, LP

In 2006, VEDA formed Vermont Capital Partners, LP ("VCP"). The Authority also formed VEDA Capital Advisors, LLC, a limited liability company to act as General Partner of VCP. VEDA is the sole member of VEDA Capital Advisors, LLC and, acting as the General Partner, invested $2,000 in VCP. There are four limited partners of VCP who have invested combined capital of $2,750. The VCP partnership agreement specifies that VCP must invest 100% of its capital in Brook Ventures II, LP ("BVII") a Massachusetts based mezzanine debt fund.

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

The Authority, as General Partner, paid organizational costs to form the VCP and pays ongoing expenses as needed and VEDA will be reimbursed by VCP. As of June 30, 2017 and 2016, the Authority had expended $418 and $409, respectively, of reimbursable costs and these costs are recorded in the *Statement of Net Position* under the caption "Other assets."

Vermont Seed Capital Fund, LP

VEDA has an investment in a limited partnership called the Vermont Seed Capital Fund, LP ("VSCF"). VEDA is one of two limited partners in the VSCF. The other limited partner's investment totals $1,000. The VCET Capital Corporation is the General Partner and is an affiliate entity of the Vermont Center for Emerging Technologies, located in Burlington, Vermont.

In fiscal years 2010 through 2015, the Authority received State funds for investment in VSCF totaling $4,126. In June of 2017 and 2016, the Authority received $10 and $11, respectively, from the State for investment in the VSCF, bringing the total VSCF investment to $4,147 at June 30, 2017. The authorizing legislation for the VSCF stated the primary purpose for the investment is "to increase the amount of investment capital provided to firms within the State of Vermont and to support job creation and preservation in the State of Vermont." The authorizing legislation provides that any proceeds from the seed capital investment be perpetually reinvested in a seed capital fund.

Dollar Amounts are in Thousands

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

All investments as of June 30, 2017, and 2016 are shown in the charts below:

Investments By Type or By Issuer as of June 30, 2017	Par or Notional Amount	Cost Basis	Estimated Fair Value ("FV")
Level 1 and FV is determined using quoted market pricies:			
Total Bond Market Index Fund	$ 9,220	$ 9,220	$ 9,166
Corporate Bond Index Fund	9,212	9,212	9,172
Total bond mutual funds	**$ 18,432**	**$ 18,432**	**$ 18,338**
Exchange-Traded Fund (S&P Index)	$ 4,339	$ 4,339	$ 4,568
Domestic Money Market Funds	**$ 26**	**$ 26**	**$ 26**
Level 3 and recorded at cost:			
CoBank, ACB Stock	747	747	747
Recorded at net asset value and excluded from the FV hierarchy:			
Vermont Seed Capital Fund, LP	4,147	4,147	3,382
Vermont Capital Partners, LP	2,000	2,000	0
Investments at June 30, 2017	**$ 29,691**	**$ 29,691**	**$ 27,061**

Investments By Type or By Issuer as of June 30, 2016	Par or Notional Amount	Cost Basis	Estimated Fair Value ("FV")
Level 1 and FV is determined using quoted market pricies:			
Total Bond Market Index Fund	$ 8,224	$ 8,224	$ 8,401
Corporate Bond Index Fund	5,995	5,995	5,993
Total bond mutual funds	**$ 14,219**	**$ 14,219**	**$ 14,394**
Domestic Stock Index (S&P) Fund	4,630	4,630	5,155
International Markets Index Fund	3,948	3,948	3,503
Emerging Markets Index Fund	1,361	1,361	1,239
Total equity mutual funds	**$ 9,939**	**$ 9,939**	**$ 9,897**
Domestic Money Market Funds	**$ 2**	**$ 2**	**$ 2**
Level 3 and recorded at cost:			
CoBank, ACB Stock	668	668	668
Recorded at net asset value and excluded from the FV hierarchy:			
Vermont Seed Capital Fund, LP	4,137	4,137	3,397
Vermont Capital Partners, LP	2,000	2,000	208
Investments at June 30, 2016	**$ 30,965**	**$ 30,965**	**$ 28,566**

In fiscal 2016, the Authority implemented GASB Statement No. 72, Fair Value Measurement and Application ("GASB-72"). GASB-72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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

Interest Rate Risk on Investments

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

The Authority's Investment Committee has selected a diversification mix for its Level 1 marketable securities of approximately 80% in fixed-income mutual funds with an average duration of less than five years and 20% in an ETF indexed to the Standard and Poor's 500 stock index. None of the fixed-income securities have terms which are considered to make them highly sensitive to interest rate changes.

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 or exchange-traded funds ("ETF") of domestic or international companies. Such funds must be comprised of investments eligible under the policy; and (j) any other investment with prior approval of the Authority's Board. The Authority's investment policy mandates that debt securities carry a minimum rating of investment grade (BBB-). The weighted average rating is AA for investments that carry a long-term credit rating from one of three recognized rating agencies. Two of the Authority's investments (Vermont Capital Partners, LP and the Vermont Seed Capital Fund, described below) were authorized by statute and are outside the scope of the Authority's investment policy.

Dollar Amounts are in Thousands

4) Loans Receivable

The outstanding balance of loans receivable as of June 30, 2017, and 2016, are detailed in the chart below:

Loans Receivable By Major Program Group - Balances at June 30, 2017:	VJF	VACC	VSBDC	Non-Major Funds Combined	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	$ 16,223	$ 0	$ 0	$ 0	$ 16,223	6%
Direct loans to businesses	105,386	0	0	0	105,386	42%
Agricultural loans	11,216	89,402	0	0	100,618	39%
Small business loans	6,830	0	22,731	4,600	34,161	13%
Total Loans Receivable	**$ 139,655**	**$ 89,402**	**$ 22,731**	**$ 4,600**	**$ 256,388**	**100%**

Loans Receivable By Major Program Group - Balances at June 30, 2016:	VJF	VACC	VSBDC	Non-Major Funds Combined	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	$ 17,456	$ 0	$ 0	$ 0	$ 17,456	7%
Direct loans to businesses	106,997	0	0	0	106,997	45%
Agricultural loans	0	81,534	0	0	81,534	34%
Small business loans	8,723	0	21,358	3,369	33,450	14%
Total Loans Receivable	**$ 133,176**	**$ 81,534**	**$ 21,358**	**$ 3,369**	**$ 239,437**	**100%**

In addition to the loans receivable above, there were $20,355 and $19,423 of Agency Fund loans outstanding at June 30, 2017 and 2016, 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; loans receivable that are "written-off" and charged to the allowance; and recoveries added to the allowance (collection of loans receivable that were previously written-off). The Authority performs a substantive review of the allowances on a quarterly basis. Management establishes "Specific Reserves" for loans receivable where a loss is probable and 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.

Dollar Amounts are in Thousands

The chart below details the changes in the allowance for loan losses for 2017 and 2016:

Change in Allowance for Loan Losses For Year Ended June 30, 2017:	Beginning 2017 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2017 Allowance
VJF	$ 5,239	$ (26)	$ (1,013)	$ 104	$ 4,304
VACC	242	330	(11)	2	563
VSBDC	1,485	(7)	(92)	4	1,390
Non-Major Funds Combined	250	4	0	0	254
VEDA Total	$ 7,216	$ 301	$ (1,116)	$ 110	$ 6,511

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

(5) Commercial Paper

Since 1998, the Authority has issued commercial paper to fund its lending operations. From time to time throughout the year, the Authority issues taxable and tax-exempt commercial paper ("CP") to fund new loans and to refund outstanding loans.

Letter of Credit ("LC")

The Authority utilizes a letter of credit ("LC") to enhance the credit rating of the commercial paper it issues. This credit support is provided by a LC whereby the credit rating of the LC provider elevates the rating for the VEDA CP to "A-1" and "P-1" as rated by Standard and Poor's and Moody's Investor Services, respectively.

Dollar Amounts are in Thousands

At the end of 2016, VEDA had a LC agreement with J.P. Morgan Chase Bank, National Association ("JPM") for $150,000. The LC matured in February 2017 and was renewed and extended at the lower amount of $95,000 as part of a multi-bank debt restructure (Note 6). The LC is collateralized with $15,000 in investment securities and a moral obligation pledge of the State for $80,000. Included under the caption "Interest on commercial paper and notes payable" on the *Statement of Revenues, Expenses and Changes in Net Position* of the VJF are fees related to the LC of $969 and $934 for 2017 and 2016, respectively. The charts below detail the rates, terms and outstanding balance of commercial paper at June 30, 2017 and 2016:

Commercial Paper Outstanding at June 30, 2017	Issue Date	Mandatory Tender Date	Maturity Date	Rate	Amount Outstanding
Taxable commercial paper	05/24/2017	N/A	08/22/2017	1.200%	$ 85,000
Tax-exempt commercial paper	05/24/2017	N/A	08/22/2017	0.980%	7,800
Total Commercial Paper Outstanding				**1.182%**	**$ 92,800**

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

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

Commercial Paper Outstanding Issued Subsequent to Year End	Issue Date	Maturity Date	Rate	Amount Issued
Taxable commercial paper	08/22/2017	11/21/2017	1.350%	$ 85,000
Tax-exempt commercial paper	08/22/2017	11/21/2017	0.900%	7,650
Total Commercial Paper Outstanding			**1.313%**	**$ 92,650**

(6) Interfund Notes Payable and Notes Payable

Interfund Notes Payable

The VACC, VSBDC and VT504 borrow from VEDA (VJF) to fund their lending operations under revolving line of credit notes (LOC). The VJF funds the notes with the issuance of commercial paper (Note 5). The interfund notes payable are renewed every three years and call for monthly interest payments at a floating rate of interest tied to the cost of VEDA's Taxable CP.

Dollar Amounts are in Thousands

The interfund notes payable outstanding at June 30, 2017 and 2016 are shown in the chart below:

Interfund Notes Payable for Years Ending June 30:	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2016	Balance 2017
VACC - line of credit note	$ 70,000	09/30/16	09/30/19	1.30%	$ 37,550	$ 63,300
VSBDC Loan Fund - line of credit note	25,000	09/30/16	09/30/19	1.30%	12,815	12,740
VT504 CDC Fund - line of credit note	5,000	09/30/16	09/30/19	1.30%	0	1,150
Total Interfund Notes Payable	**$ 100,000**			**1.30%**	**$ 50,365**	**$ 77,190**

Notes Payable

The schedule below details the changes in notes payable in 2017 and 2016:

Notes Payable for Years Ending June 30:	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2016	Balance 2017
VJF - Northfield Savings Bank, FSB	$ 3,400	12/13/07	12/15/22	2.90%	$ 2,341	$ 2,101
VJF - State of Vermont	10,000	02/01/15	01/31/25	2.43%	10,000	10,000
VJF - TD Bank, N.A.	20,000	03/24/16	03/23/18	1.83%	12,500	20,000
VJF - Northfield Savings Bank, FSB	5,000	12/05/16	12/05/17	4.25%	0	0
VJF - TD Bank, N.A.	30,000	02/24/17	02/24/20	1.70%	0	30,000
VJF - TD Bank, N.A.	25,000	02/24/17	02/24/27	3.06%	0	25,000
VJF - TD Bank, N.A.	25,000	03/22/17	02/24/20	1.70%	0	25,000
VJF - Total Notes Payable	**$ 118,400**			**2.11%**	**$ 24,841**	**$ 112,101**
VACC - CoBank, ACB.	**$ 40,000**	**02/02/16**	**12/01/17**	**3.13%**	**$ 30,500**	**$ 12,000**
VSBDC - USDA Rural Development IRP	$ 1,000	08/08/89	08/08/19	1.00%	$ 169	$ 129
VSBDC - USDA Rural Development IRP	1,000	10/04/94	10/04/24	1.00%	361	322
VSBDC - USDA Rural Development IRP	1,000	03/16/95	03/16/25	1.00%	348	309
VSBDC - USDA Rural Development IRP	200	03/09/06	03/09/24	1.00%	93	82
VSBDC - USDA Rural Development IRP	750	03/09/06	03/09/36	1.00%	701	676
VSBDC - USDA Rural Development IRP	750	06/27/08	06/27/38	1.00%	575	548
VSBDC - USDA Rural Development IRP	750	10/29/09	10/29/39	1.00%	626	600
VSBDC - USDA Rural Development IRP	750	11/18/10	11/18/40	1.00%	676	651
VSBDC - USDA Rural Development IRP	1,000	01/10/14	01/10/44	1.00%	1,000	1,000
VSBDC - USDA Rural Development IRP	1,000	07/13/16	07/13/46	1.00%	0	875
VSBDC - USDA Rural Development	**$ 8,200**			**1.00%**	**$ 4,549**	**$ 5,192**
VT504 - USDA Rural Development IRP	$ 750	10/29/09	10/29/39	1.00%	$ 676	$ 651
VT504 - USDA Rural Development IRP	750	11/18/10	11/18/40	1.00%	701	676
VT504 - USDA Rural Development IRP	1,000	02/10/14	02/10/44	1.00%	1,000	1,000
VT504 - USDA Rural Development IRP	1,000	04/21/17	04/21/47	1.00%	0	250
Non-Major Funds Combined	**$ 3,500**			**1.00%**	**$ 2,377**	**$ 2,577**
Total Notes Payable	**$ 170,100**			**2.14%**	**$ 62,267**	**$ 131,870**

In the 2016 session of the Vermont legislature, an additional $25,000 in State moral obligation pledge was authorized for VEDA. Rather than increase its commercial paper credit facility (Note 5), the Authority chose to use its $155,000 in aggregate moral obligation pledge and diversify its debt into a combination of commercial paper and bank notes.

The notes payable are described in more detail below:

TD Bank, NA ("TDB")

In 2017, the Authority entered into two variable-rate and one fixed-rate note(s) with TDB totaling $80,000. VEDA used the proceeds to paydown $55,000 of commercial paper and $25,000 on the Cobank, ACB working capital line of credit. The notes are collateralized with $7,265 in investment securities and a moral obligation pledge of the State for $75,000. The two variable-rate notes totaling $55,000 have a three-year maturity and call for monthly interest payments at a floating interest rate. A fixed-rate note totaling $25,000 matures in ten years and calls for monthly interest payments and annual principal payments of $1,000 for the first five years and $4,000 for the remaining five years. Included in VJF interest expense in 2017 are fees related to the new notes in the amount of $63. The aggregate balance outstanding at June 30, 2017 was $80,000.

VEDA also utilizes a $20,000 line of credit note with TDB. The LOC is a two-year facility and calls for monthly interest payments at a floating interest rate. Included in VJF interest expense in 2017 and 2016 are fees related to the LOC in the amount of $4 and $13, respectively. The balance outstanding at June 30, 2017 and 2016 was $20,000 and $12,500, respectively.

Northfield Savings Bank, FSB ("NSB")

The Authority carries a mortgage with NSB on its principal headquarters location in Montpelier, Vermont. The mortgage loan has a fixed-rate of interest and calls for monthly payments of principal and interest.

VEDA has a $5,000 line of credit note with NSB that has annual line reviews and calls for monthly payments of interest at a floating rate. Included in VJF interest expense in 2017 and 2016 are fees related to the LOC in the amount of $12 and $12, respectively.

State of Vermont

In 2016, the Authority restructured its debt with the State to a ten-year final maturity at a fixed-rate for five years and then a one-time interest rate for the remaining five years. The loan calls for interest payments quarterly. The outstanding balance was $10,000 at June 30, 2017 and 2016.

Cobank, ACB ("Cobank")

The VACC has a revolving line of credit agreement with Cobank that has been in place since 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 2017 and

Dollar Amounts are in Thousands

2016 are fees related to the LOC in the amount of $34 and $24, respectively. The amount outstanding at June 30, 2017 and 2016 was $12,000 and $30,500, respectively.

Intermediary Relending Program

The VSBDC and the VT 504 have ten and four notes payable, respectively, to the USDA Intermediary Relending Program through the U.S. Department of Rural Development. These funds are borrowed at a fixed rate for a period of thirty years and have annual payments of interest for the first three years and twenty-seven years of annual principal and interest.

The schedule below details the changes in notes payable in 2017 and 2016:

Changes in Note Payable For Year Ending June 30, 2017:	2017 Beginning Balance	Add New Debt	Less Debt Paid	2017 Ending Balance
VJF	$ 24,841	$ 87,500	$ 240	$ 112,101
VACC	30,500	15,000	33,500	12,000
VSBDC	4,549	875	232	5,192
Non-Major Funds Combined	2,377	250	50	2,577
Total for FY 2017	**$ 62,267**	**$ 103,625**	**$ 34,022**	**$ 131,870**

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

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

Notes Payable Principal: Fiscal Year	VJF	VACC	VSBDC	Non-Major Funds Non-Major	Notes Payable Interest: VJF	VACC	VSBDC	Non-Major Funds Non-Major
2018	$ 248	$ 12,000	$ 234	$ 50	$ 2,368	$ 192	$ 52	$ 26
2019	20,255	0	236	51	2,360	0	50	25
2020	55,263	0	271	84	1,987	0	47	25
2021	271	0	268	125	1,044	0	45	24
2022	279	0	268	126	1,036	0	42	23
2023-2027	35,785	0	1,148	609	4,991	0	170	94
2028-2032	0	0	942	463	0	0	120	67
2033-2037	0	0	958	487	0	0	72	44
2038-2042	0	0	651	416	0	0	28	19
2043-2047	0	0	216	166	0	0	5	4
Total	**$ 112,101**	**$ 12,000**	**$ 5,192**	**$ 2,577**	**$ 13,786**	**$ 192**	**$ 631**	**$ 351**

Dollar Amounts are in Thousands

(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 $16,124 and $19,462 of loans at June 30, 2017 and 2016, respectively. The VT504 received $156 and $159 in fees related to the SBA 504 Loan Program in 2017 and 2016, respectively.

(8) Operating Leases

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

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

The space in the smaller building is leased to multiple tenants. The leases range from month-to-month to a maximum term of one year. The terms of the leases call for fixed monthly payments. Rental income from both buildings totaled $215 in both 2017 and 2016 and includes the pro rata share of operating expenses paid by the lessee noted above. The projected lease revenue from VEDA tenants are shown in the chart above right.

Lease Revenue 56-58 East State		
Fiscal Year		**VJF**
2018	$	124
2019		149
2020		150
2021		150
2022		151
2023-2027		152
Total	**$**	**876**

The Authority has a lease for 4,175 square feet of office space and common area at 60 Main Street in Burlington, Vermont. Under the lease, the Authority has fixed monthly payments and a share of common area maintenance and other costs. Payments over the remaining term of the lease are shown by fiscal year in the chart to the right. VEDA has

Lease Expense 60 Main Street		
Fiscal Year		**VJF**
2018	$	53
2019		54
2020		69
2021		75
2022		76
2023-2025		177
Total	**$**	**504**

Dollar Amounts are in Thousands

annually renewable leases for space at three satellite offices located in Middlebury, Brattleboro, and St. Johnsbury. The Authority paid occupancy expenses under these leases for the years ended June 30, 2017 and 2016, of $118 and $119, respectively.

(9) Retirement Plan

The Authority has a non-contributory defined contribution retirement plan for all employees who have completed one year of service. Contributions are based on ten percent of each participant's compensation. The Authority's retirement plan contributions as a percent of total payroll for employees enrolled in the plan is shown for the last three years in the chart below:

Retirement Plan for Fiscal Years ending June 30:	**2015**	**2016**	**2017**
Contributions to Simplified Employer Plan ("SEP")	$ 235	$ 263	$ 301
SEP Contributions as a % of Covered Payroll	10%	10%	10%

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

(10) Contingent Liabilities

Insurance (Loan Guarantee) Programs

The Authority's two loan guarantee programs, the MIP and the FAP were repealed in 2016. The contingent liability that remains has been transferred from the State to VEDA. The contingent liability in the MIP totaled $39 at June 30, 2016; there is no remaining contingent liability in the MIP at June 30, 2017.

The Authority recorded provision for loss related to a loan guaranteed loan under the MIP of $98 in fiscal 2016. The loss is recorded under the caption "Provision for losses on insured loans" on the *Statement of Revenues, Expenses and Changes in Net Position*. The loan was subsequently liquidated at no additional loss.

The contingent liability for the FAP totaled $51 and $90 at June 30, 2017 and 2016, respectively.

In 2017, the "Energy Loan Guarantee Program" was terminated and VEDA assumed a contingent liability for future losses on the existing guarantees which totaled $35 and $82 at June 30, 2017 and 2016, respectively.

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

Dollar Amounts are in Thousands

Federal regulations. All Federal financial assistance programs are subject to either the Uniform Guidance or to financial and compliance audits by the grantor agencies. Any guarantees paid or amounts received that are disallowed because of these audits would become a liability of the Authority. At June 30, 2017 and 2016, 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, 2017, the Authority had outstanding commitments for new loans and undisbursed amounts on existing loans. The amounts are expected to be disbursed in the next fiscal year and are detailed in the chart below:

Outstanding Commitments Balances at June 30, 2017	VJF	VACC	VSBDC	Non-Major Funds Combined	VEDA TOTAL
Loan receivable commitments	$ 12,679	$ 7,370	$ 680	$ 500	$ 21,229
Undisbursed loans receivable	5,233	3,242	692	180	9,347
Outstanding Commitments	**$ 17,912**	**$ 10,612**	**$ 1,372**	**$ 680**	**$ 30,576**

(12) Relationships with the State of Vermont

Advances

In 2014, the Authority received an advance (the "2014 Advance") of $5,500 from the State to fund a portion of a project to build a State office building in St. Albans, Vermont. The terms of the agreement with the State stipulates that the borrower's principal repayments be held by VEDA until the funds are requested by the State. VEDA's obligation to repay the advanced funds is limited to repayments received from the Authority's borrower. Principal payments of $218 and $217 were collected in 2017 and 2016, respectively. The aggregate amount of principal payments collected at June 30, 2016 and 2015 was $544 and $326, respectively, and are recorded on the *Statement of Net Position* under the caption "Cash and cash equivalents – Restricted."

In 2012, the Authority received an advance for $1,800 in the VSBDC for an interest rate subsidy program for small businesses impaired by floods in May 2011 and Tropical Storm Irene in September 2011 (the "Flood Advance"). Under the agreement with the State, the Flood Advance is earned annually in an amount equal to the interest subsidies earned on loans enrolled in the two flood loan programs. The amount of the Flood Advance earned in 2017 and 2016 was $4 and $13, respectively. The amount of the advance outstanding at June 30, 2017 and 2016 was $14 and $18, respectively.

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

Mortgage Insurance Fund and Financial Access Programs

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

Agency Funds

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

The Agency Fund programs are described in more detail below:

Drinking Water State Revolving Fund ("DWF")

VEDA assists the Agency of Natural Resources ("ANR") in the operation of the DWF which makes loans to private entities for drinking water improvement projects. The Authority issues loans receivable and is assisted by the ANR in approving the loans. The VJF earned $101 and $94 in fees in 2017 and 2016, respectively.

Clean Energy Development Fund ("CEDF")

The Authority provides services to CEDF which is operated by the State Department of Public Service ("DPS"). The CEDF makes grants and loans to businesses for developing and marketing renewable and clean sources of energy. The VJF earned $31 and $37 in fees for services in 2017 and 2016, 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 $9 and $4 in fees for services in 2017 and 2016, 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 cleaning up environmentally "dirty" sites (a "Brownfield"). The VJF earned $18 and $15 in fees for services in 2017 and 2016, respectively.

Dollar Amounts are in Thousands

Windham County Economic Development Program ("WCEDP")

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

A summary of the cash and loans receivable at June 30, 2017 and 2016 for the respective State agencies are shown in the chart below:

At June 30, 2017:	DWF	CEDF	SIB	BRF	WCEDF	TOTAL
Cash and cash equivalents	$ 2,413	$ 762	$ 2,134	$ 83	$ 61	$ 5,453
Loans receivable	14,603	2,796	0	1,521	1,435	20,355
Total Due To Agency	**$ 17,016**	**$ 3,558**	**$ 2,134**	**$ 1,604**	**$ 1,496**	**$ 25,808**

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

(13) Restricted Net Position

VEDA had restricted net position of $26,985 and $26,893 at June 30, 2017 and 2016, respectively. The purpose of the various restricted net position amounts are described below:

Collateral Reserve Funds

Under the letter of credit agreement with JPM (Note 5) and the notes payable to TD Bank, the Authority is required to have a minimum of $22,265 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 to 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.

Energy Loan Guarantee Program

At June 30, 2016, participating financial institutions had enrolled $82 of energy loans in the loan guarantee program. In early 2017, the program was terminated and the Authority assumed responsibility for any future claims. Of the $1,000 cash reserve fund, $500 was returned to the State and recorded under the caption "Non-Operating Expense – State of Vermont" on the *Statement of Revenues, Expenses and Changes in Net Assets."* VEDA reclassified its $500 share of the reserve fund from restricted to unrestricted cash and cash equivalents.

Dollar Amounts are in Thousands

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 use of the federal funds plus a pro rata share of any principal repayments be designated "recycled funds." These monies must be restricted for use within the approved federal programs. The program ended on March 31, 2017. At June 30, 2017 and 2016, there was $172 and $1,555, respectively, of restricted SSBCI cash outstanding.

VEDA Capital Access Program ("VCAP")

Included in Restricted cash and cash equivalents was $282 and $249 in the VJF at June 30, 2017 and 2016, respectively. These amounts are reserve funds held at banks participating in the VCAP. The Authority's portion of each reserve is recorded as restricted net position and the participating banks 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*.

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

Restricted Net Position for Years Ending June 30, 2015, 2016 & 2017:	Balance at 06/30/2015	Increase (Decrease)	Balance at 06/30/2016	Increase (Decrease)	Balance at 06/30/2017
For collateral reserve funds	$ 20,091	$ 40	$ 20,131	$ 2,408	$ 22,539
For Vermont seed capital fund	3,545	(148)	3,397	(15)	3,382
For energy guarantee program	1,000	0	1,000	(1,000)	0
For federal program	85	1,470	1,555	(1,383)	172
For VEDA Capital Access Program	103	(4)	99	32	131
VJF Total	**24,824**	**1,358**	**26,182**	**42**	**26,224**
For interest rate subsidies	349	(311)	38	(38)	0
For investment in Cobank	620	48	668	79	747
VACC Total	**969**	**(263)**	**706**	**41**	**747**
Non-Major Funds Combined	**0**	**5**	**5**	**9**	**14**
Totals at June 30, 2015, 2016 and 2017	**$ 25,793**	**$ 1,100**	**$ 26,893**	**$ 92**	**$ 26,985**

(14) Unearned Revenue for Federal Program

In 2011, the United States Department of Treasury, under the State Small Business Credit Initiative Act of 2010 ("SSBCI") disbursed $4,346 to the Authority as part of a total allocation of $13,168 to the State. In 2015, VEDA received the remaining $8,823. The SSBCI funds are used to fund a portion of eligible projects in the VJF.

The SSBCI funds are recorded on the *Statement of Net Position* under the caption "Unearned revenue for federal program." The revenue is earned at the time funds are disbursed on an eligible loans receivable. The amount of SSBCI funds earned on any project cannot exceed the lower of 20% of the total project costs or the VEDA note amount. In 2017 and 2016, the Authority earned $60 and $295, respectively, of the SSBCI grant which is recorded on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption "Federal Grant Revenue Earned." The Authority had no unearned revenue related to the SSBCI programs at June 30, 2017 or 2016.

This page was intentionally left blank.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

SUPPLEMENTARY INFORMATION

Combining Financial Statements - Non-Major Funds Combined

Combining Financial Statements – Vermont Small Business Development Corporation

Combining Financial Statements – Vermont 504 Corporation

June 30, 2017 and 2016

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, 2017

Dollar Amounts in Thousands	Vermont 504 Corporation	Mortgage Insurance Fund	Non-Major Funds Combined
Current Assets:			
Cash and cash equivalents:			
Unrestricted	$ 801	$ 0	$ 801
Restricted	14	0	14
Total cash and cash equivalents	815	0	815
Loans receivable	614	0	614
Accrued interest receivable	9	0	9
Total current assets	1,438	0	1,438
Loans receivable, less current portion	3,986	0	3,986
Less allowance for loan losses	(254)	0	(254)
Loans receivable, less current portion, net of allowance	3,732	0	3,732
Total assets	**$ 5,170**	**$ 0**	**$ 5,170**
Current Liabilities:			
Interfund note payable	$ 1,150	$ 0	$ 1,150
Notes payable	50	0	50
Interfund accounts receivable	(52)	0	(52)
Accrued interest payable	13	0	13
Total current liabilities	1,161	0	1,161
Notes payable, less current portion	2,527	0	2,527
Total liabilities	**$ 3,688**	**$ 0**	**$ 3,688**
Restricted net position	14	0	14
Unrestricted net position	1,468	0	1,468
Total net position	**$ 1,482**	**$ 0**	**$ 1,482**

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, 2016

Dollar Amounts in Thousands	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Current Assets:				
Cash and cash equivalents:				
Unrestricted	$ 567	$ 0	$ 0	$ 567
Restricted	5	0	0	5
Total cash and cash equivalents:	572	0	0	572
Loans receivable	483	0	0	483
Accrued interest receivable	7	0	0	7
Total current assets	1,062	0	0	1,062
Loans receivable, less current portion	2,886	0	0	2,886
Less allowance for loan losses	(250)	0	0	(250)
Loans receivable, less current portion, net of allowance	2,636	0	0	2,636
Total assets	**$ 3,698**	**$ 0**	**$ 0**	**$ 3,698**
Current Liabilities:				
Notes payable	$ 50	$ 0	$ 0	$ 50
Accounts payable and accrued expenses	1	0	0	1
Interfund accounts payable	259	0	0	259
Accrued interest payable	13	0	0	13
Total current liabilities	323	0	0	323
Notes payable, less current portion	2,327	0	0	2,327
Total liabilities	**$ 2,650**	**$ 0**	**$ 0**	**$ 2,650**
Restricted net position	$ 5	$ 0	$ 0	$ 5
Unrestricted net position	1,043	0	0	1,043
Total net position	**$ 1,048**	**$ 0**	**$ 0**	**$ 1,048**

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, 2017

Dollar Amounts in Thousands	Vermont 504 Corporation	Mortgage Insurance Fund	Non-Major Funds Combined
Operating Revenues:			
Cash and investment interest	$ 41	$ 0	$ 41
Loans receivable interest	135	0	135
Other revenues	165	0	165
Total operating revenues	341	0	341
Operating Expenses:			
Interest on notes payable	24	0	24
Interfund interest	9	0	9
Provision for loan losses	4	0	4
Professional fees	4	0	4
Interfund expense allocation	150	0	150
Total operating expenses	191	0	191
Operating income	**150**	**0**	**150**
Non-operating revenue (expense):			
Interfund non-operating revenue (expense)	284	0	284
Total non-operating revenue	284	0	284
Net increase in net position	**434**	**0**	**434**
Net position at beginning of year	1,048	0	1,048
Net position at end of year	$ 1,482	$ 0	$ 1,482

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, 2016

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

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, 2017

Dollar Amounts in Thousands	Vermont 504 Corporation	Mortgage Insurance Fund	Non-Major Funds Combined
Cash flows from operating activities:			
Interest received on loans receivable	$ 133	$ 0	$ 133
Other revenues received	165	0	165
Operating expenses paid other than interest	(466)	0	(466)
Principal received on loans receivable	855	0	855
Principal disbursed on loans receivable	(2,086)	0	(2,086)
Net cash used for operating activities	**(1,399)**	**0**	**(1,399)**
Cash flows from non-capital financing activities:			
Interest paid on notes payable	(24)	0	(24)
Interfund interest paid	(9)	0	(9)
Interfund non-operating income received	284	0	284
Proceeds from interfund note payable	1,150	0	1,150
Payments on notes payable	(50)	0	(50)
Net cash provided by non-capital financing activities	1,601	0	1,601
Cash flows from investing activities:			
Interest received on cash and investments	41	0	41
Net cash provided by investing activities	41	0	41
Net increase in cash and cash equivalents	**243**	**0**	**243**
Cash and cash equivalents at beginning of year	572	0	572
Cash and cash equivalents at end of year	**$ 815**	**$ 0**	**$ 815**
Reconciliation of operating income to net cash used for operating activities:			
Operating income	$ 150	$ 0	$ 150
Adjustments to reconcile operating income to net cash used for operating activities:			
Interest income on investment activities	(41)	0	(41)
Interest paid on notes payable	24	0	24
Interest paid for interfund financing activities	9	0	9
Provision for loan losses	4	0	4
Changes in assets and liabilities:			
Loans receivable	(1,231)	0	(1,231)
Accrued interest receivable	(2)	0	(2)
Accounts payable and accrued expenses	(1)	0	(1)
Interfund accounts payable	(311)	0	(311)
Net cash used for operating activities	**$ (1,399)**	**$ 0**	**$ (1,399)**

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, 2016

Dollar Amounts in Thousands	Vermont 504 Corporation	Mortgage Insurance Fund	Financial Access Program	Non-Major Funds Combined
Cash flows from operating activities:				
Interest received on loans receivable	$ 116	$ 0	$ 0	$ 116
Other revenues received	163	28	0	191
Operating expenses paid other than interest	74	(18)	0	56
Disbursements to participating FAP banks, net	0	0	(47)	(47)
Principal received on loans receivable	305	0	0	305
Principal disbursed on loans receivable	(1,207)	0	0	(1,207)
Net cash (used for) provided by operating activities	**(549)**	**10**	**(47)**	**(586)**
Cash flows from non-capital financing activities:				
Interest paid on notes payable	(21)	0	0	(21)
Interfund operating transfer received	16	(14)	0	2
Interfund transfer of loans receivable for cash	(260)	0	0	(260)
Non-operating income received from State of Vermont	0	507	0	507
Non-operating expense paid to State of Vermont	0	(14)	0	(14)
Proceeds from notes payable	390	0	0	390
Payments on notes payable	(49)	0	0	(49)
Payments for losses on insured loans, net	0	(491)	0	(491)
Net cash provided by (used for) non-capital financing activities	**76**	**(12)**	**0**	**64**
Cash flows from investing activities:				
Interest received on cash and investments	9	0	0	9
Net cash provided by investing activities	**9**	**0**	**0**	**9**
Net decrease in cash and cash equivalents	**(464)**	**(2)**	**(47)**	**(513)**
Cash and cash equivalents at beginning of year	1,036	2	47	1,085
Cash and cash equivalents at end of year	**$ 572**	**$ 0**	**$ 0**	**$ 572**
Reconciliation of operating income (loss) to net cash (used for) provided by operating activities:				
Operating income (loss)	$ 57	$ (84)	$ 0	$ (27)
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:				
Interest income on investment activities	(9)	0	0	(9)
Interest expense paid on notes payable	22	0	0	22
Provision for loan losses	51	0	0	51
Provision for losses on insured loans	0	98	0	98
Changes in assets and liabilities:				
Loans receivable	(902)	0	0	(902)
Accrued interest receivable	(2)	0	0	(2)
Escrow and reserve accounts	0	0	(47)	(47)
Accounts payable and accrued expenses	1	0	0	1
Interfund accounts payable	233	(4)	0	229
Net cash (used for) provided by operating activities	**$ (549)**	**$ 10**	**$ (47)**	**$ (586)**

Vermont Small Business Development Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Net Position
as of June 30, 2017 and 2016

Dollar Amounts in Thousands	as of June 30, 2017 VSBDC IRP Fund	as of June 30, 2017 VSBDC Loan Fund	as of June 30, 2017 VSBDC Combined Total	as of June 30, 2016 VSBDC IRP Fund	as of June 30, 2016 VSBDC Loan Fund	as of June 30, 2016 VSBDC Combined Total
Current Assets:						
Unrestricted cash and cash equivalents	$ 464	$ 152	$ 616	$ 1,066	$ 84	$ 1,150
Loans receivable	742	1,468	2,210	778	2,209	2,987
Accrued interest receivable	12	27	39	11	30	41
Other assets	0	0	0	0	1	1
Total current assets	1,218	1,647	2,865	1,855	2,324	4,179
Loans receivable, less current portion	6,887	13,634	20,521	5,089	13,282	18,371
Less allowance for loan losses	(367)	(1,023)	(1,390)	(307)	(1,178)	(1,485)
Loans receivable, less current portion, net of allowance	6,520	12,611	19,131	4,782	12,104	16,886
Total assets	**$ 7,738**	**$ 14,258**	**$ 21,996**	**$ 6,637**	**$ 14,428**	**$ 21,065**
Current Liabilities:						
Interfund note payable	$ 0	$ 12,740	$ 12,740	$ 0	$ 12,815	$ 12,815
Notes payable	234	0	234	229	0	229
Accounts payable and accrued expenses	3	0	3	3	(2)	1
Interfund accounts (receivable) payable	(67)	98	31	(142)	132	(10)
Other liability - State of Vermont	0	14	14	0	18	18
Accrued interest payable	29	0	29	24	0	24
Total current liabilities	199	12,852	13,051	114	12,963	13,077
Notes payable, less current portion	4,958	0	4,958	4,320	0	4,320
Total liabilities	**$ 5,157**	**$ 12,852**	**$ 18,009**	**$ 4,434**	**12,963**	**$ 17,397**
Unrestricted net position	**$ 2,581**	**$ 1,406**	**$ 3,987**	**$ 2,203**	**$ 1,465**	**$ 3,668**

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, 2017 and 2016

Dollar Amounts in Thousands	For the Year Ended June 30, 2017			For the Year Ended June 30, 2016		
	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Operating Revenues:						
Cash and investment interest	$ 3	$ 2	$ 5	$ 5	$ 1	$ 6
Loans receivable interest	328	694	1,022	271	704	975
Other revenues	19	32	51	18	53	71
Total operating revenues	350	728	1,078	294	758	1,052
Operating Expenses:						
Interfund interest expense	0	197	197	0	146	146
Interest on notes payable	50	0	50	46	0	46
Provision for loan losses	59	(66)	(7)	8	186	194
Professional fees	1	7	8	14	(5)	9
Interfund expense allocation	184	300	484	109	304	413
Total operating expenses	294	438	732	177	631	808
Operating income	**56**	**290**	**346**	**117**	**127**	**244**
Non-operating revenue:						
Appropriation earned from advance	0	4	4	0	13	13
Interfund non-operating revenue (expense)	322	(353)	(31)	36	(52)	(16)
Total non-operating revenue (expense)	322	(349)	(27)	36	(39)	(3)
Net increase (decrease) in net position	**378**	**(59)**	**319**	**153**	**88**	**241**
Net position at beginning of year	2,203	1,465	3,668	2,050	1,377	3,427
Net position at end of year	**$ 2,581**	**$ 1,406**	**$ 3,987**	**$ 2,203**	**$ 1,465**	**$ 3,668**

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, 2017 and 2016

Dollar Amounts in Thousands	For the Year Ended June 30, 2017 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	For the Year Ended June 30, 2016 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Interest received on loans receivable	$ 327	$ 697	$ 1,024	$ 274	$ 701	$ 975
Other revenues received	19	32	51	18	53	71
Operating expenses paid other than interest	(110)	(338)	(448)	(153)	(800)	(953)
Principal received on loans receivable	1,290	2,915	4,205	1,102	2,928	4,030
Principal disbursed on loans receivable	(2,805)	(2,861)	(5,666)	(1,059)	(4,330)	(5,389)
Net cash (used for) provided by operating activities	**(1,279)**	**445**	**(834)**	**182**	**(1,448)**	**(1,266)**
Interest paid on interfund note payable	0	(197)	(197)	0	(146)	(146)
Interest paid on notes payable	(45)	0	(45)	(44)	0	(44)
Interfund non-operating revenue (expense)	322	(353)	(31)	36	(52)	(16)
Interfund transfer of loans receivable	(246)	246	0	0	260	260
Proceeds from interfund note payable	0	625	625	0	1,450	1,450
Payments on interfund note payable	0	(700)	(700)	0	(100)	(100)
Proceeds from notes payable	875	0	875	0	0	0
Payments on notes payable	(232)	0	(232)	(229)	0	(229)
Net cash provided by (used for) non-capital financing activities	**674**	**(379)**	**295**	**(237)**	**1,412**	**1,175**
Interest received on cash and investments	3	2	5	5	1	6
Net cash provided by investing activities	**3**	**2**	**5**	**5**	**1**	**6**
Net (decrease) increase in cash and cash equivalents	**(602)**	**68**	**(534)**	**(50)**	**(35)**	**(85)**
Cash and cash equivalents at beginning of year	1,066	84	1,150	1,116	119	1,235
Cash and cash equivalents at end of year	**$ 464**	**$ 152**	**$ 616**	**$ 1,066**	**$ 84**	**$ 1,150**
Reconciliation of operating income to net cash (used for) provided by operating activities:						
Operating income	**$ 56**	**$ 290**	**$ 346**	**$ 117**	**$ 127**	**$ 244**
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:						
Interest income on investment activities	(3)	(2)	(5)	(5)	(1)	(6)
Interest paid on interfund notes payable	0	197	197	0	146	146
Interest expense on notes payable	50	0	50	46	0	46
Provision for loan losses	59	(66)	(7)	8	186	194
Changes in assets and liabilities:						
Loans receivable	(1,516)	143	(1,373)	66	(1,186)	(1,120)
Allowance for loan losses	1	(89)	(88)	(23)	(216)	(239)
Accrued interest receivable	(1)	3	2	3	(3)	0
Other assets	0	1	1	(2)	4	2
Accounts payable and accrued expenses	0	2	2	0	(2)	(2)
Interfund accounts payable	75	(34)	41	(28)	(503)	(531)
Net cash (used for) provided by operating activities	**$ (1,279)**	**$ 445**	**$ (834)**	**$ 182**	**$ (1,448)**	**$ (1,266)**

Vermont 504 Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Net Position

as of June 30, 2017 and 2016

Dollar Amounts in Thousands	as of June 30, 2017			as of June 30, 2016		
	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	$ 707	$ 94	$ 801	$ 488	$ 79	$ 567
Restricted cash	0	14	14	0	5	5
Loans receivable	188	426	614	214	269	483
Accrued interest receivable	6	3	9	6	1	7
Total current assets	901	537	1,438	708	354	1,062
Loans receivable, less current portion	2,938	1,048	3,986	2,768	118	2,886
Less allowance for loan losses	(240)	(14)	(254)	(246)	(4)	(250)
Loans receivable, less current portion, net of allowance	2,698	1,034	3,732	2,522	114	2,636
Total assets	**$ 3,599**	**$ 1,571**	**$ 5,170**	**$ 3,230**	**468**	**$ 3,698**
Current Liabilities:						
Interfund note payable	$ 0	$ 1,150	$ 1,150	$ 0	$ 0	$ 0
Notes payable	50	0	50	50	0	50
Accounts payable and accrued expenses	0	0	0	0	1	1
Interfund accounts (receivable) payable	(139)	87	(52)	32	227	259
Accrued interest payable	13	0	13	13	0	13
Total current liabilities	(76)	1,237	1,161	95	228	323
Notes payable, less current portion	2,527	0	2,527	2,327	0	2,327
Total liabilities	**$ 2,451**	**$ 1,237**	**$ 3,688**	**$ 2,422**	**228**	**$ 2,650**
Restricted net position	0	14	14	0	5	5
Unrestricted net position	1,148	320	1,468	808	235	1,043
Total net position	**$ 1,148**	**$ 334**	**$ 1,482**	**$ 808**	**$ 240**	**$ 1,048**

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, 2017 and 2016

	For the Year Ended June 30, 2017			For the Year Ended June 30, 2016		
Dollar Amounts in Thousands	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	$ 4	$ 37	$ 41	$ 3	$ 6	$ 9
Loans receivable interest	135	0	135	118	0	118
Other revenues	6	159	165	2	161	163
Total operating revenues	145	196	341	123	167	290
Operating Expenses:						
Interest on notes payable	24	0	24	22	0	22
Interfund interest expense	0	9	9	0	0	0
Provision for loan losses	(6)	10	4	47	4	51
Professional fees	0	4	4	0	22	22
Interfund expense allocation	62	88	150	56	82	138
Total operating expenses	80	111	191	125	108	233
Operating income (expense)	**65**	**85**	**150**	**(2)**	**59**	**57**
Non-operating revenue - interfund transfers	275	9	284	16	0	16
Net increase in net position	**340**	**94**	**434**	**14**	**59**	**73**
Net position at beginning of year	808	240	1,048	794	181	975
Net position at end of year	**$ 1,148**	**$ 334**	**$ 1,482**	**$ 808**	**$ 240**	**$ 1,048**

Vermont 504 Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Cash Flows

For the Years Ended June 30, 2017 and 2016

Dollar Amounts in Thousands	For the Year Ended June 30, 2017 VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	For the Year Ended June 30, 2016 VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Cash flows from operating activities:						
Interest received on loans receivable	$ 135	$ (2)	$ 133	$ 117	$ (1)	$ 116
Other revenues received	6	159	165	2	161	163
Operating expenses paid other than interest	(233)	(233)	(466)	(29)	103	74
Principal received on loans receivable	509	346	855	292	13	305
Principal disbursed on loans receivable	(653)	(1,433)	(2,086)	(807)	(400)	(1,207)
Net cash used for operating activities	**(236)**	**(1,163)**	**(1,399)**	**(425)**	**(124)**	**(549)**
Cash flows from noncapital financing activities:						
Interest paid on notes payable	$ (24)	$ 0	$ (24)	$ (21)	$ 0	$ (21)
Interest paid on interfund note payable	0	(9)	(9)	0	0	0
Interfund non-operating revenue (expense)	275	9	284	16	0	16
Interfund transfer of loans receivable	0	0	0	(260)	0	(260)
Proceeds from interfund note payable	0	1,150	1,150	0	0	0
Proceeds from notes payable	250	0	250	390	0	390
Payments on notes payable	(50)	0	(50)	(49)	0	(49)
Net cash provided by non-capital financing activities	**451**	**1,150**	**1,601**	**76**	**0**	**76**
Cash flows from investing activities:						
Interest received on cash and investments	4	37	41	3	6	9
Net cash provided by investing activities	4	37	41	3	6	9
Net increase (decrease) in cash and cash equivalent	**219**	**24**	**243**	**(346)**	**(118)**	**(464)**
Cash and cash equivalents at beginning of year	488	84	572	834	202	1,036
Cash and cash equivalents at end of year	**$ 707**	**$ 108**	**$ 815**	**$ 488**	**$ 84**	**$ 572**
Reconciliation of operating income (loss) to net cash (used for) provided by operating activities:						
Operating income (loss)	**$ 65**	**$ 85**	**$ 150**	**$ (2)**	**$ 59**	**$ 57**
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:						
Interest income on investment activities	(4)	(37)	(41)	(3)	(6)	(9)
Interest expense on notes payable	24	0	24	22	0	22
Interest paid for interfund financing activities	0	9	9	0	0	0
Provision for loan losses	(6)	10	4	47	4	51
Changes in assets and liabilities:						
Loans receivable	(144)	(1,087)	(1,231)	(515)	(387)	(902)
Accrued interest receivable	0	(2)	(2)	(1)	(1)	(2)
Accounts payable and accrued expenses	0	(1)	(1)	0	1	1
Interfund accounts payable	(171)	(140)	(311)	27	206	233
Net cash used for operating activities	**$ (236)**	**$ (1,163)**	**$ (1,399)**	**$ (425)**	**$ (124)**	**$ (549)**