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, 2018 and 2017

(and Report of Independent Auditors')

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VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

Financial Statements with Supplementary Information

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Supplementary Information

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Report on Management's Responsibility

September 28, 2018

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, are retained to audit the Authority's basic 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
One Park Place
463 Mountain View Drive, Suite 400
Colchester, VT 05446-9909

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4-10 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 accompanying supplementary schedules, such as the combining financial statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Colchester, Vermont
September 28, 2018

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 range 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 for the Vermont Small Business Development Corporation and the Vermont 504 Corporation 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 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 related activities and non-operating income); (3) investing activities; and (4) capital related financing activities (purchase and financing of capital assets).

Dollar Amounts in Thousands

Net Position: Comparison 2016 to 2017 and 2017 to 2018

Table 1 below compares the Net Position of VEDA for years ending 2016-2018.

Table 1: Net Position				**2016 to 2017**		**2017 to 2018**	
Fiscal Years	**2016**	**2017**	**2018**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Cash and investments	$ 35,873	$ 31,838	$ 32,509	$ (4,035)	-11%	$ 671	2%
Loans receivable	239,437	256,388	266,689	16,951	7%	10,301	4%
Allowance for loan losses	(7,216)	(6,511)	(5,600)	705	-10%	911	-14%
Capital assets	5,470	5,215	4,964	(255)	-5%	(251)	-5%
Accrued interest receivable	416	499	678	83	20%	179	36%
Other assets	900	934	1,038	34	4%	104	11%
Total Assets	**$ 274,880**	**$ 288,363**	**$ 300,278**	**$ 13,483**	**5%**	**$ 11,915**	**4%**
Commercial paper	$ 149,000	$ 92,800	$ 93,800	$ (56,200)	-38%	$ 1,000	1%
Notes payable	62,267	131,870	142,364	69,603	112%	10,494	8%
Other liabilities	6,874	6,923	7,054	49	1%	131	2%
Total Liabilities	**$ 218,141**	**$ 231,593**	**$ 243,218**	**$ 13,452**	**6%**	**$ 11,625**	**5%**
Restricted net position	26,893	26,985	26,150	92	0%	(835)	-3%
Net investment in capital assets	3,129	3,114	3,111	(15)	0%	(3)	0%
Unrestricted net position	26,717	26,671	27,799	(46)	0%	1,128	4%
Total Net Position	**$ 56,739**	**$ 56,770**	**$ 57,060**	**$ 31**	**0%**	**$ 290**	**1%**

Total assets increased $11,915 in 2018, compared to an increase of $13,483 in 2017. The primary reason for the increase in total assets in 2018 and 2017 was the increase in outstanding loans receivable of $10,301 and $16,951 in 2018 and 2017, respectively. These increases were funded primarily by an increase in the Authority's notes payable. In 2018 and 2017, total liabilities increased $11,625 and $13,452, respectively. In 2018, the Authority executed a debt restructuring where $15,000 of variable-rate notes payable was replaced with $15,000 of fixed-rate notes payable (Note 6). In 2017, the Authority executed a debt restructuring where $55,000 of commercial paper was replaced with $55,000 of 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 $251 in 2018 due to capital asset purchases of $30, offset by depreciation of $281. In 2017 capital assets decreased by $255 in 2018 due to capital asset purchases of $61, offset by depreciation of $316.

Accrued interest receivable increased $179 and $83 in 2018 and 2017, respectively, due primarily to higher interest rates on loans receivable in in 2018 compared with 2017 and 2017 compared to 2016.

Dollar Amounts in Thousands

Other assets increased $104 and $34 in 2018 and 2017, respectively. The increase in both years was due primarily to increases in prepaid expenses and receivables for taxes, insurance and collection costs incurred by VEDA on behalf of borrowers.

Other liabilities increased $131 and $49 in 2018 and 2017, respectively. The increase in both years was due primarily to an increase in accounts payable and accrued expenses.

Total Net Position increased by $290 in 2018, the result of $436 of operating income, offset by a non-operating loss of $146. In 2017, total Net Position increased by $31, the result of $705 of operating income, offset by a non-operating loss of $674.

Revenues, Expenses and Changes in Net Position: Comparison of 2016 to 2017 and 2017 to 2018

Table 2 below 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 2016 to 2017 and from 2017 to 2018.

Table 2: Revenues, Expenses & Changes in Net Position				**2016 to 2017**		**2017 to 2018**	
Fiscal Years	**2016**	**2017**	**2018**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Operating Revenues:							
Cash and investment income	$ 595	$ 564	$ 619	$ (31)	-5%	$ 55	10%
Net increase in fair value of investments	1	780	56	779	77900%	(724)	-93%
Loans receivable interest	7,785	9,227	11,246	1,442	19%	2,019	22%
Other revenues	1,082	930	1,183	(152)	-14%	253	27%
Total Operating Revenues	**$ 9,463**	**$ 11,501**	**$ 13,104**	**$ 2,038**	**22%**	**$ 1,603**	**14%**
Operating Expenses:							
Comm'l paper and notes payable interest	2,365	3,874	5,452	1,509	64%	1,578	41%
Provision for loan losses	1,319	301	39	(1,018)	-77%	(262)	-87%
Losses on insured loans	129	0	27	(129)	-100%	27	100%
Staff salaries and benefits	3,972	4,510	5,069	538	14%	559	12%
Professional fees	621	518	493	(103)	-17%	(25)	-5%
Office and administrative	1,204	1,277	1,307	73	6%	30	2%
Depreciation	333	316	281	(17)	-5%	(35)	-11%
Total Operating Expenses	**9,943**	**10,796**	**12,668**	**853**	**9%**	**1,872**	**17%**
Operating (Loss) Income	**$ (480)**	**$ 705**	**$ 436**	**$ 1,185**	**247%**	**$ (269)**	**-38%**
Non-operating revenue (expense)	773	(674)	(146)	(1,447)	-187%	528	78%
Change in Net Position	**$ 293**	**$ 31**	**$ 290**	**$ (262)**	**-89%**	**$ 259**	**835%**

Cash and investment income increased $55 in 2018, due primarily to an increase in yields on cash and cash equivalents. The 2017 cash and investment income decreased $31, due primarily to lower yields on the mutual fund investments.

Net increase in fair value of investments was $780 in 2017 due primarily to $777 of net gains on the sale of the Authority's position in three equity mutual funds. This gain accounts for the significant variances between 2017 and the lesser increases in fair value in 2018 and 2016.

Loan receivable interest was $2,019 and $1,442 greater in 2018 and 2017, respectively. In both years, the increases were the result of higher yields and higher average balances.

Other revenue consists primarily of fees received from borrowers and fees for services to the State of Vermont and others. In 2018, other revenues were $253 greater than 2017, due primarily to fees received for closing industrial revenue bonds; revenue bond fees were $223 greater in 2018 than in 2017. In 2017, other revenue was $152 lower than in 2016, due primarily to application and commitment fees on loans receivable that were $128 lower in 2017 than in 2016.

Interest expense was $1,578 greater in 2018 than 2017 and $1,509 greater in 2017 than in 2016. In both 2018 and 2017 the increase was due to higher interest costs and higher average debt balances.

Provision for loan losses in 2018, were $262 below the 2017 level which was $1,018 below the 2016 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 totaled $27 in 2018 and were $0 in 2017. The loss on an insured loan was from the Vermont Capital Access Program ("VCAP").

Staff salaries and benefits increased $559 in 2018, or 12% due primarily to the addition of three new staff in 2018 combined with a full year of expenses for three new staff hired in 2017. Salary increases for existing staff in 2018 was 4%. A similar situation occurred in 2017 when staff expenses increased $538, or 14% in that year, also the result of hiring new staff in 2017 and 2016. Salary increases for existing staff in 2017 was 4%.

Professional fees decreased $25, or 5% and $103, or 17% in 2018 and 2017, respectively. In both years, the decrease was due primarily to lower consulting and collection costs.

Office and administrative expenses increased $30 or 2% in 2018 due primarily to an increase of $24 in information technology related expenses. In 2017, office and administrative expenses increased $73 or 6% due primarily to an increase of $48 in information technology expenses plus an increase of $19 in supplies expense.

Depreciation expense decreased $35 and $17 in 2018 and 2017, respectively. The difference is lower depreciation on new capital asset purchase relative to assets becoming fully depreciated; new capital purchase in 2018 and 2017 were $30 and $61, respectively.

Dollar Amounts in Thousands

Cash Flows

Table 3 is a presentation that provides important information about how the Authority utilizes the cash flows from its business operations. Operations are grouped by four categories: (1) *Operating Activities* include disbursing and collecting on loans receivable and paying for operating expenses; (2) *Non-Capital Financing Activities* include proceeds and payments on notes payable and commercial paper, as well as non-operating revenues or expenses; (3) *Investing Activities* are the result of investment purchases and sales and related income; and (4) *Capital Investment Activities include* the purchase and the financing of capital assets and related repayments.

Table 3: Cash Flows				**2016 to 2017**		**2017 to 2018**	
Fiscal Years	**2016**	**2017**	**2018**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Provided by principal payments received	$ 36,210	$ 38,690	$ 38,019	$ 2,480	7%	$ (671)	-2%
Provided by interest payments received	8,389	9,144	11,089	755	9%	1,945	21%
Provided by sale of notes receivable	797	3,605	3,362	2,808	352%	(243)	-7%
Used for principal disbursed on loans	(68,613)	(60,245)	(52,629)	8,368	12%	7,616	13%
Used for all other operating activities	(4,646)	(5,327)	(5,686)	(681)	-15%	(359)	-7%
Used For Operating Activities	**$ (27,863)**	**$ (14,133)**	**$ (5,845)**	**$ 13,730**	**49%**	**$ 8,288**	**59%**
Provided by non-capital financing activities	29,013	9,370	6,372	(19,643)	-68%	(2,998)	-32%
Provided by investing activities	315	2,600	450	2,285	725%	(2,150)	-83%
Used for capital investment activities	(487)	(367)	(336)	120	25%	31	8%
Net increase (decrease) in cash and cash equivalents	**$ 978**	**$ (2,530)**	**$ 641**	**$ (3,508)**	**-359%**	**$ 3,171**	**125%**

Table 3 shows that operating (i.e. lending) activities used cash flows totaling $5,845 and $14,133 in 2018 and 2017, respectively. In 2018, non-capital financing activities (primarily new debt) of $6,372 and investing activities of $450 provided more cash flows than were used to fund the operating activities and capital investment activities; the result was a net increase in cash and cash equivalents in 2018 of $641. In 2017, non-capital financing activities of $9,370 and investing activities of $2,600 did not provide enough cash flows to offset what was used for operating activities and capital investment activities; the result was a net decrease in cash and cash equivalents of $2,530.

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.

Dollar Amounts in Thousands

Table 4 below details the specific and general reserves and the total reserves as a percentage of outstanding loans receivable balances at June 30, 2018, 2017 and 2016.

Table 4: Change in Allowance for Loan Losses From 2016 to 2018

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
2018	**$266,689**	**$ 1,608**	**$ 3,992**	**$ 5,600**	**0.60%**	**1.50%**	**2.10%**
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%**

The Authority's allowance for loan losses at June 30, 2018 totaled $5,600 or 2.10% of outstanding loans receivable. This compares to an allowance of $6,511 or 2.54% of outstanding loans receivable at the end of 2017 and to an allowance of $7,216 or 3.01% of the outstanding loans receivable at the end of 2016. 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 the level of credit risk incurred over time.

Table 5 below, shows the ratio of loan loss provisions to average outstanding loans for the past three fiscal years plus the three and ten-year average loan loss provisions as of June 30, 2018:

Table 5: Loan Loss Provisions as a Percent of Average Outstanding Loans

Averages for Fiscal Year(s):	2018	2017	2016	2016 - 2018	2009 - 2018
Loan Loss Provisions as a % of Average Outstanding Loans	**0.01%**	**0.12%**	**0.59%**	**0.23%**	**0.67%**

Capital Adequacy

Table 6 details the Authority's net position as a percentage of total assets at June 30, 2018, 2017 and 2016. 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 6: Net Position as a % of Total Assets

As of June 30:	VJF	VACC	VSBDC	VT504	VEDA
2018	21%	14%	18%	26%	19%
2017	22%	15%	18%	29%	20%
2016	23%	17%	17%	28%	21%

Dollar Amounts in Thousands

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-rate characteristics of its loans as closely as possible with the variable characteristics of its underlying debt.

Table 7 shows loans receivable and the liabilities that fund loans receivable placed within various time horizons based on the earlier of the next interest rate reset date for variable rate instruments or maturity date for fixed-rate instruments. The difference between the two is labeled the "Loan and Funding Liability Repricing Gap".

Table 7: Repricing/Maturity Analysis of Loans Receivable & Funding Liabilities

Loan and Funding Liability Repricing/ Maturity Analysis at June 30, 2018	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 years to 25 Years	Total
Loans receivable, net of allowance	**$ 177,307**	**$ 6,460**	**$ 29,664**	**$ 47,658**	**$ 261,089**
Commercial paper	93,800	0	0	0	93,800
Notes payable	83,152	1,455	29,335	28,422	142,364
Other Liability - State of Vermont	0	0	0	5,500	5,500
Total Funding Liabilities	**$ 176,952**	**$ 1,455**	**$ 29,335**	**$ 33,922**	**$ 241,664**
Loan & Funding Liability Repricing Gap	**$ 355**	**$ 5,005**	**$ 329**	**$ 13,736**	**$ 19,425**
Loan and Funding Liability Repricing/ Maturity Analysis at June 30, 2017	**Within 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 years to 25 Years**	**Total**
Loans receivable	$ 187,226	$ 4,667	$ 23,912	$ 34,072	$ 249,877
Funding Liabilities	179,933	399	2,497	47,341	230,170
Loan & Funding Liability Repricing Gap	**$ 7,293**	**$ 4,268**	**$ 21,415**	**$ (13,269)**	**$ 19,707**

At June 30, 2018, the Authority's repricing gap over the twenty-five-year time horizon is a positive $19,425 compared to a repricing gap at June 30, 2017 of $19,707. At June 30, 2018, the loans receivable maturing or repricing within three months totaled $177,307 compared with $187,226 at June 30, 2017. This change demonstrates a shift by VEDA borrowers from variable to fixed-rate loans. To offset this shift, the Authority refunded $15,000 of variable-rate debt to fixed-rate debt which contributed to the decrease in the repricing gap in "1 Year to 5 Year" time horizon from $21,415 at June 30, 2017 to $329 at June 30, 2018.

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Net Position as of June 30, 2018

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	VEDA Combined Total
Current Assets:					
Cash and cash equivalents:					
Unrestricted	$ 1,800	$ 288	$ 1,000	$ 905	$ 3,993
Restricted	1,407	0	0	18	1,425
Total cash and cash equivalents	3,207	288	1,000	923	5,418
Loans receivable	16,382	13,685	2,519	634	33,220
Accrued interest receivable	339	284	45	10	678
Other assets	708	330	0	0	1,038
Total current assets	20,636	14,587	3,564	1,567	40,354
Investments					
Unrestricted	1,439	0	0	0	1,439
Restricted	24,784	868	0	0	25,652
Total investments	26,223	868	0	0	27,091
Loans receivable, less current portion	128,951	78,530	20,897	5,091	233,469
Less allowance for loan losses	(3,383)	(753)	(1,203)	(261)	(5,600)
Loans receivable, less current portion, net of allowance	125,568	77,777	19,694	4,830	227,869
Capital assets, net of accumulated depreciation	4,964	0	0	0	4,964
Total assets	**$ 177,391**	**$ 93,232**	**$ 23,258**	**$ 6,397**	**$ 300,278**
Current Liabilities:					
Commercial paper	$ 93,800	$ 0	$ 0	$ 0	$ 93,800
Interfund notes (receivable) payable	(71,335)	56,300	13,545	1,490	0
Notes payable	21,255	23,000	269	84	44,608
Escrow and reserve accounts	165	0	0	0	165
Accounts payable and accrued expenses	843	259	0	0	1,102
Interfund accounts (receivable) payable	(650)	531	73	46	0
Accrued interest payable	169	76	29	13	287
Total current liabilities	44,247	80,166	13,916	1,633	139,962
Notes payable, less current portion	89,598	0	5,035	3,123	97,756
Other liability - State of Vermont	5,500	0	0	0	5,500
Total liabilities	**$ 139,345**	**$ 80,166**	**$ 18,951**	**$ 4,756**	**$ 243,218**
Restricted net position	25,264	868	0	18	26,150
Net investment in capital assets	3,111	0	0	0	3,111
Unrestricted net position	9,671	12,198	4,307	1,623	27,799
Total net position	**$ 38,046**	**$ 13,066**	**$ 4,307**	**$ 1,641**	**$ 57,060**

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, 2017

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	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	17,687	10,679	2,210	614	31,190
Accrued interest receivable	226	225	39	9	499
Other assets	628	306	0	0	934
Total current assets	21,533	11,564	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	121,968	78,723	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	117,664	78,160	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
Accrued interest payable	175	28	29	13	245
Total current liabilities	15,821	76,722	13,037	1,161	106,741
Notes payable, less current portion	111,853	0	4,958	2,527	119,338
Other liability - State of Vermont	5,500	0	14	0	5,514
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**

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, 2018

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp.	Vermont 504 Corporation	VEDA Combined Total
Operating Revenues:					
Cash and investment revenue	$ 585	$ 12	$ 13	$ 9	$ 619
Net increase in fair value of investments	56	0	0	0	56
Loans receivable interest	5,516	4,467	1,033	230	11,246
Other revenues	810	176	47	150	1,183
Total operating revenues	6,967	4,655	1,093	389	13,104
Operating Expenses:					
Commercial paper and notes payable interest	4,948	425	53	26	5,452
Interfund interest (revenue) expense	(1,849)	1,496	320	33	0
Provision for loan losses	(497)	424	105	7	39
Provision for losses on insured loans	27	0	0	0	27
Staff salaries, expenses, and benefits	3,785	1,284	0	0	5,069
Professional fees	263	209	16	5	493
Office and administrative expenses	1,307	0	0	0	1,307
Interfund (revenue) expense allocation	(2,363)	1,718	442	203	0
Depreciation of capital assets	281	0	0	0	281
Total operating expenses	5,902	5,556	936	274	12,668
Operating income (loss)	**1,065**	**(901)**	**157**	**115**	**436**
Non-operating (expense) revenue:					
Non-operating revenue - seed capital fund	10	0	0	0	10
Capital access program rebate expense	(1)	0	0	0	(1)
Net decrease in fair value of venture fund investments	(169)	0	0	0	(169)
Deferred appropriation earned	0	0	14	0	14
Interfund non-operating (expense) revenue	(411)	218	149	44	0
Total non-operating (expense) revenue	(571)	218	163	44	(146)
Net increase (decrease) in net position	**494**	**(683)**	**320**	**159**	**290**
Net position at beginning of year	37,552	13,749	3,987	1,482	56,770
Net position at end of year	**$ 38,046**	**$ 13,066**	**$ 4,307**	**$ 1,641**	**$ 57,060**

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.	Vermont 504 Corporation	VEDA Combined Total
Operating Revenues:					
Cash and investment revenue	$ 550	$ 5	$ 5	$ 4	$ 564
Net increase in fair value of investments	780	0	0	0	780
Loans receivable interest	4,289	3,744	1,022	172	9,227
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 on 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 revenue - State of Vermont	(500)	0	0	0	(500)
Non-operating revenue - seed capital fund	10	0	0	0	10
Deferred appropriation earned	0	0	4	0	4
Capital access program rebate expense	(15)	0	0	0	(15)
Net decrease in fair value of non-operating 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

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Cash Flows

For the Year Ended June 30, 2018

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Sm. Business Dev. Corp.	Vermont 504 Corporation	VEDA Combined Total
Cash flows from operating activities:					
Interest received on loans receivable	$ 5,429	$ 4,404	$ 1,027	$ 229	$ 11,089
Other revenues received	810	176	47	150	1,183
Operating expenses paid other than interest	(2,504)	(3,839)	(419)	(110)	(6,872)
Receipts from VCAP participating banks	3	0	0	0	3
Proceeds from sale of loans receivable	0	3,362	0	0	3,362
Principal received on loans receivable	17,815	16,185	3,189	830	38,019
Principal disbursed on loans receivable	(19,416)	(27,092)	(4,166)	(1,955)	(52,629)
Net cash provided by (used for) operating activities	**2,137**	**(6,804)**	**(322)**	**(856)**	**(5,845)**
Cash flows from non-capital financing activities:					
Commercial paper and notes payable interest paid	(4,896)	(377)	(53)	(26)	(5,352)
Interfund notes payable interest received (paid)	1,849	(1,496)	(320)	(33)	0
Interfund non-operating (expense) revenue	(411)	218	149	44	0
Interfund transfer of loans receivable for cash (out) in	(4,502)	4,502	0	0	0
Non-operating revenue - seed capital fund	10	0	0	0	10
Proceeds from issuance of commercial paper	561,650	0	0	0	561,650
Payments on maturing commercial paper	(560,650)	0	0	0	(560,650)
Proceeds (disbursed) received on interfund notes payable	(9,620)	7,700	1,580	340	0
Payments received (paid) on interfund notes payable	15,475	(14,700)	(775)	0	0
Proceeds from notes payable	15,000	22,000	375	713	38,088
Payments on notes payable	(16,000)	(11,000)	(263)	(83)	(27,346)
Capital access program rebates paid	(1)	0	0	0	(1)
Payments to banks for losses on insured loans, net	(27)	0	0	0	(27)
Net cash (used for) provided by non-capital financing activities	**(2,123)**	**6,847**	**693**	**955**	**6,372**
Cash flows from investing activities:					
Redemption or sale of investments	745	0	0	0	745
Purchase of investments	(852)	(121)	0	0	(973)
Revenue received on cash and investments	644	12	13	9	678
Net cash provided by (used for) investing activities	**537**	**(109)**	**13**	**9**	**450**
Cash flows from capital and related financing activities:					
Purchase of capital assets	(30)	0	0	0	(30)
Payments on mortgage note payable	(248)	0	0	0	(248)
Interest paid on mortgage note payable	(58)	0	0	0	(58)
Net cash used for capital and related financing activities	**(336)**	**0**	**0**	**0**	**(336)**
Net increase (decrease) in cash and cash equivalents	**215**	**(66)**	**384**	**108**	**641**
Cash and cash equivalents at beginning of year	2,992	354	616	815	4,777
Cash and cash equivalents at end of year	**$ 3,207**	**$ 288**	**$ 1,000**	**$ 923**	**$ 5,418**

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, 2018

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Sm. Business Dev. Corp.	Vermont 504 Corporation	VEDA Combined Total
Reconciliation of Operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ 1,065	$ (901)	$ 157	$ 115	$ 436
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Interest revenue on investment activities	(585)	(12)	(13)	(9)	(619)
Net decrease in fair value of investments	(56)	0	0	0	(56)
Interest expense	4,948	425	53	26	5,452
Interest (revenue) expense for interfund activities	(1,849)	1,496	320	33	0
Provision for loan losses	(497)	424	105	7	39
Provision for losses on insured loans	27	0	0	0	27
Depreciation expense	281	0	0	0	281
Changes in assets and liabilities:					
Loans receivable	(1,176)	(7,315)	(685)	(1,125)	(10,301)
Allowance for loan losses	(424)	(234)	(292)	0	(950)
Accrued loan interest receivable	(87)	(59)	(6)	(1)	(153)
Other assets	(80)	(24)	0	0	(104)
Escrow and reserve accounts	3	0	0	0	3
Accounts payable and accrued expenses	62	41	(3)	0	100
Interfund accounts payable (receivable)	505	(645)	42	98	0
Net cash provided by (used for) operating activities	**$ 2,137**	**$ (6,804)**	**$ (322)**	**$ (856)**	**$ (5,845)**

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.	Vermont 504 Corporation	VEDA Combined Total
Cash flows from operating activities:					
Interest received on loans receivable	$ 4,264	$ 3,686	$ 1,024	$ 170	$ 9,144
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 notes receivable	0	3,605	0	0	3,605
Principal received on loans receivable	19,960	13,670	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	**(1,796)**	**(10,141)**	**(834)**	**(1,362)**	**(14,133)**
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 funds (paid) received	(581)	328	(31)	284	0
Interfund transfer of loans receivable for cash (out) in	(3,802)	3,802	0	0	0
Non-operating expense paid - State of Vermont	(500)	0	0	0	(500)
Non-operating revenue received - 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	**(2,682)**	**10,156**	**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	4	556
Net cash provided by (used for) investing activities	**2,665**	**(74)**	**5**	**4**	**2,600**
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.	Vermont 504 Corporation	VEDA Combined Total
Reconciliation of operating income (loss) to					
net cash (used for) provided by 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)	(4)	(556)
Net increase in fair value of investments	(780)	0	0	0	(780)
Interest expense	3,305	495	50	24	3,874
Interest (income) expense for interfund financing	(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	(2,677)	(11,670)	(1,373)	(1,231)	(16,951)
Allowance for loan losses	(909)	(9)	(88)	0	(1,006)
Accrued 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	**$ (1,796)**	**$ (10,141)**	**$ (834)**	**$ (1,362)**	**$ (14,133)**

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, 2018 and 2017

Dollar Amounts in Thousands	2018 Agency Funds	2017 Agency Funds
Assets		
Current Assets:		
Restricted cash and cash equivalents	$ 5,601	$ 5,453
Loans receivable	1,833	1,387
Total current assets	7,434	6,840
Loans receivable, less current portion	18,871	18,968
Total assets	**$ 26,305**	**$ 25,808**
Liabilities		
Current Liabilities:		
Due to Drinking Water State Revolving Fund	$ 17,130	$ 17,016
Due to Clean Energy Development Fund	3,225	3,558
Due to State Infrastructure Bank	2,130	2,134
Due to Brownfields Revolving Loan Fund	1,755	1,604
Due to Windham County Economic Development Fund	2,065	1,496
Total liabilities	**$ 26,305**	**$ 25,808**

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 range 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 Treasurer of the State, 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 of 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

The programs of VEDA are operated from four major funds: the Vermont Jobs Fund ("VJF"), the Vermont Agricultural Credit Corporation ("VACC"), the Vermont Small Business Development Corporation ("VSBDC") and the VT 504 Corporation ("VT504"). The programs operated within each of the funds are described below:

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. Subchapter 3 also provides the statutory authority for lending by the VJF to the VACC, VSBDC and the VT504 ("Interfund lending"; see Note 6).

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 $775,341 of these bonds and $322,962 and $251,182 remain outstanding at June 30, 2018 and 2017 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 2018 and 2017 the Authority received $287 and $64, 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 in the Authority's name; 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*.

Insured Loan Programs Repealed

The Authority has insured loans under the Financial Access Program ("FAP") and the Energy Efficiency Loan Guarantee Program ("EELGP"); both programs have been repealed. The remaining insured loans represent a contingent liability (Note 10).

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.

Vermont Small Business Development Corporation ("VSBDC")

The VSBDC-IRP participates in the United States Department of Agriculture ("USDA") Intermediary Relending Program ("IRP"). Within the VSBDC there are two funds: the VSBDC IRP Fund ("VSBDC-IRP") and the VSBDC Loan Fund ("VSBDC-LF"). The VSBDC-LF was established to make small business loans when IRP funds are not available or when a project is ineligible for IRP funding. Both the VSBDC-IRP and the VSBDC-LF derive their revenues principally from interest and fees on loans.

Vermont 504 Corporation ("VT504")

The VT504 is eligible for participation in certain federal programs because of its status as a Certified Development Corporation, or "CDC". The federal programs are operated under the VT504 CDC Fund (VT504-CDC"). The VT504 also participates in the USDA IRP program described above. This program is operated under the VT504-IRP Fund ("VT504-IRP").

The VT504-CDC operates two Small Business Administration ("SBA") loan programs: the SBA 504 loan program and the SBA Community Advantage program ("CA"). SBA 504 loans 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 CA program makes loans up to $250,000 and are guaranteed by the full faith and credit of the federal government. The VT504 CDC Fund derives its revenues primarily from fees for originating and servicing SBA 504 loans and interest and fees on CA loans.

The VT504-IRP makes small business loans using monies borrowed from the USDA IRP. The VT504-IRP derives its revenues principally from interest and fees earned on loans.

(c) 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 (Note 12). 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.

(d) 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. By statute, the management and the boards of directors of the Authority's three corporations (VACC, VSBDC and VT504) also serve as the management and Board of the Authority. As such, the three not-for-profit corporations are included in these financial statements as blended component units. Separate audited financial statements for component units are not available.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Adoption of GASB Statements

In 2018, the Authority implemented GASB Statement No. 85, *Omnibus 2017* (“GASB-85”) which is effective for periods beginning after June 15, 2017. GASB-85 provides guidance related to the presentation and blending of component units. GASB-85 also addresses many other issues that are not relevant or applicable to VEDA. Adoption of GASB-85 had no effect on the presentation of the financial statements of the Authority or its component units.

In 2017, the Authority implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units* (“GASB-80”). GASB-80 amends the blending requirements for the financial presentation of component units of all state and local governments. Adoption of GASB-80 had no effect on the presentation of the financial statements of the Authority or its component units.

(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. The funds are used to pay interest at maturity on VEDA's outstanding commercial paper (Note 5) and to pay interest monthly on certain notes payable (Note 6). Cash in reserve accounts for the VCAP and FAP are restricted (in the VJF).

(d) Investments

The Authority's investments are presented in these financial statements at fair value. 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 to estimate their value requires inputs that are not observable and require assumptions and estimates prepared by management. The specific investments and valuation methods are described in Note 3.

(e) Loans Receivable

Loans receivable are recorded at the uncollected principal balance, net of any loans sold without recourse.

(f) Allowance for Loan Losses

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

(g) Nonaccrual Loans

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans (Note 4). Loans are classified as nonaccrual when they become 90-days past due, unless they are adequately collateralized and in the process of collection. All interest accrued but not paid on nonaccrual loans is charged off against current period income. Interest income on nonaccrual loans 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.

(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.

Dollar Amounts are in Thousands

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). The charts below show the changes in capital assets and accumulated depreciation for the years ended June 30, 2018 and 2017:

Capital Assets Schedule For the Year Ending June 30, 2018:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier	$ 5,731	$ 4	$ 0	$ 0	$ 5,735
Leasehold Improvements - Burlington	201	0	0	0	201
Accumulated Depreciation - RE & LHI	(1,479)	0	(179)	0	(1,658)
Furniture, fixtures and equipment	1,535	26	0	0	1,561
Accumulated Depreciation - FF&E	(1,273)	0	(102)	0	(1,375)
Developed Land - Montpelier	500	0	0	0	500
Total Capital Assets, net	**$ 5,215**	**$ 30**	**$ (281)**	**$ 0**	**$ 4,964**

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**

<u>i) Restricted Net Position</u>

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).

<u>(j) Operating Revenues and Expenses</u>

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.

Dollar Amounts are in Thousands

(k) Allocation of Expenses

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

(l) Interfund Non-Operating 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.

(n) Reclassification of Prior Period Presentation

The presentation of short-term and long-term loans receivable on the *Statement of Net Position* at June 30, 2017 have been reclassified in the June 30, 2018 presentation. The short and long-term loans receivable in the original June 30, 2017 presentation is shown in the chart below:

Loans Receivable for June 30, 2017 As Originally Presented June 30, 2017:	**VJF**	**VACC**	**VSBDC**	**VT504**	**VEDA Total**
Loans receivable (current portion)	$ 26,646	$ 1,720	$ 2,210	$ 614	$ 31,190
Loans receivable, less current portion	113,009	87,682	20,521	3,986	225,198
Total Loans Receivable at June 30, 2017	**$ 139,655**	**$ 89,402**	**$ 22,731**	**$ 4,600**	**$ 256,388**

The short and long-term loans receivable for June 30, 2017 as shown in the June 30, 2018 presentation is shown in the chart below:

Loans Receivable for June 30, 2017 As Presented at June 30, 2018:	**VJF**	**VACC**	**VSBDC**	**VT504**	**VEDA Total**
Loans receivable (current portion)	$ 17,687	$ 10,679	$ 2,210	$ 614	$ 31,190
Loans receivable, less current portion	121,968	78,723	20,521	3,986	225,198
Total Loans Receivable at June 30, 2017	**$ 139,655**	**$ 89,402**	**$ 22,731**	**$ 4,600**	**$ 256,388**

Dollar Amounts are in Thousands

In addition to the reclassification noted above, certain other amounts in the June 30, 2017 presentation have been reclassified to correspond with the June 30, 2018 presentation.

(3) Cash Equivalents and Investments

Custodial Risk

Custodial risk for deposits is the risk that, in the event of a depository financial institution failure, the Authority will not be able to recover funds deposited in the failed institution. When the Authority's cash balances exceed the federal deposit insurance maximum, VEDA uses collateralized deposits whereby the financial institution pledges debt securities of the federal government that are held in trust for the benefit of the Authority.

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, 2018 and 2017 were $348 and $274, respectively. The balances were comprised of direct obligations of the U.S. Government. The money market funds are Level 1 investments. 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 $5,601 and $5,453 at June 30, 2018 and 2017, 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) and certain notes payable (Note 6). 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:

Cash and Cash Equivalent Balances at June 30, 2018:	VJF	VACC	VSBDC	VT504	VEDA TOTAL
Collateralized deposit accounts	$ 2,859	$ 288	$ 1,000	$ 923	$ 5,070
Money market accounts	348	0	0	0	348
Total cash and cash equivalents	**$ 3,207**	**$ 288**	**$ 1,000**	**$ 923**	**$ 5,418**

Cash and Cash Equivalent Balances at June 30, 2017:	VJF	VACC	VSBDC	VT504	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**

Dollar Amounts are in Thousands

Investments

All investments as of June 30, 2018, and 2017 are shown in the chart below:

Fair Value Hierarchy	Investments By Type or By Issuer	Weighted Average Term (yrs)	At June 30, 2017 Cost Basis	At June 30, 2017 Fair Value ("FV")	At June 30, 2018 Cost Basis	At June 30, 2018 Fair Value ("FV")
Level 1:	Total Bond Market Index Fund	8.0	$ 9,220	$ 9,166	$ 9,565	$ 9,218
Level 1:	Corporate Bond Index Fund	3.0	9,212	9,172	9,438	9,189
Level 1:	Exchange-Traded S&P Index Fund	n/a	4,339	4,568	3,890	4,591
Level 1:	Domestic Money Market Funds	n/a	26	26	2	2
Level 3:	CoBank, ACB Stock	n/a	747	747	868	868
Excluded*	Vermont Seed Capital Fund, LP	n/a	4,147	3,382	4,157	3,223
Excluded*	Vermont Capital Partners, LP	n/a	2,000	0	2,000	0
Total Investments			**$ 29,691**	**$ 27,061**	**$ 29,920**	**$ 27,091**

*Recorded at net asset value as practical expedient.

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.

Exchange-Traded Funds ("ETF")

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 which is a Level 1 investment.

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 as it is valued using unobservable inputs. At June 30, 2018 and 2017, the VACC owned $868 and $747 of CoBank stock, respectively.

Vermont Capital Partners, LP

In 2006, VEDA formed Vermont Capital Partners, LP ("VCP") and 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 specified that VCP 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 net asset value at both June 30, 2018 and 2017 was $0.

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, 2018 and 2017, the Authority had expended $424 and $418, 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 the Vermont Seed Capital Fund, LP ("VSCF"). VEDA is one of two limited partners in the VSCF. The VCET Capital Corporation is the General Partner of the VSCF and invested $1,000. VCET Capital Corporation is an affiliate entity of the Vermont Center for Emerging Technologies, located in Burlington, Vermont.

In fiscal years 2010 through 2016, the Authority received State funds for investment in VSCF totaling $4,137. In both June of 2018 and 2017, the Authority received $10 from the State for investment in the VSCF, bringing the total VSCF investment to $4,157 at June 30, 2018. 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 derived from VSCF be used by VEDA solely for reinvestment in the VSCF or another seed capital fund. Consequently, the investment is included under the captions "Restricted investments" and as a portion of "Restricted net position" on the *Statement of Net Position*. VSCF is recorded at net asset value as a practical expedient. Net asset value may not be indicative of net realizable value or reflective of future fair value and is therefore excluded from the fair value hierarchy. The net asset value of the Authority's investment in VSCF at June 30, 2018 and 2017 was $3,223 and $3,382, respectively.

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 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 bond 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-).

Dollar Amounts are in Thousands

The investments in Vermont Capital Partners, LP and the Vermont Seed Capital Fund, described above, were authorized by statute and are outside the scope of the Authority's investment policy.

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 bond mutual funds have securities with terms considered to make them highly sensitive to interest rate changes.

4) Loans Receivable

The outstanding balance of loans receivable by major program group as of June 30, 2018, and 2017, are detailed in the following charts:

Loans Receivable By Major Program Group - Balances at June 30, 2018:	VJF	VACC	VSBDC	VT504	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	$ 16,056	$ 0	$ 0	$ 0	$ 16,056	6%
Direct loans to businesses	108,528	0	0	0	108,528	41%
Agricultural loans	14,852	92,215	0	0	107,067	40%
Small business loans	5,897	0	23,416	5,725	35,038	13%
Total Loans Receivable	**$ 145,333**	**$ 92,215**	**$ 23,416**	**$ 5,725**	**$ 266,689**	**100%**

Dollar Amounts are in Thousands

Loans Receivable By Major Program Group - Balances at June 30, 2017:	VJF	VACC	VSBDC	VT504	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%**

In addition to the loans receivable above, there were $20,704 and $20,355 of Agency Fund loans outstanding at June 30, 2018 and 2017, respectively. These loans are represented on the *Statement of Fiduciary Assets and Liabilities*.

Nonaccrual Loans

The outstanding balance of nonaccrual loans at June 30, 2018 and 2017 was $15,616 and $11,302, respectively. The allowance for loan losses specific to nonaccrual loans totaled $1,608 and $1,420 at June 30, 2018 and 2017, respectively. Total interest collected on nonaccrual loans in the years ended 2018 and 2017 was $541 and $326, respectively.

Loans Sold to Third Party

In 2018 and 2017, the VACC sold, without recourse, the federally guaranteed portion of certain loans receivable totaling $3,362 and $3,605, respectively. There was no gain or loss on the sales. At June 30, 2018 and 2017, the VACC was servicing $6,705 and $4,555, respectively of loans receivable sold.

Loans Receivable Guaranteed by Federal Government

The Authority has a portion of its loans receivable in certain programs guaranteed the federal government. The chart below details the federally guaranteed balances and the range and average guarantee percentage:

Federally Guaranteed Loan Receivable Balances at June 30, 2017 and 2018	VEDA FUND	At June 30 2017	At June 30 2018	Average Guarantee 2017	Average Guarantee 2018	Guarantee Range
USDA Department of Rural Development	VJF	$ 1,188	$ 1,090	80%	80%	All at 80%
USDA Department of Rural Development	VACC	116	106	81%	81%	80% - 85%
USDA Farm Service Agency, net of sold	VACC	43,558	43,304	90%	90%	80% - 95%
Small Business Administration	VT504	1,175	1,600	80%	81%	75% - 85%
Total Guaranteed Loan Receivable Balances		**$ 46,037**	**$ 46,100**	**90%**	**90%**	**75% - 95%**

Interfund Loan Transfers

Loans receivable are periodically transferred from the VACC to the VJF to more effectively use the available collateral for borrowings. In 2018 and 2017, $4,502 and $3,802 in loans were transferred at book value from the VACC to the VJF. The total outstanding loans receivable transferred from the VACC to the VJF was $14,852 and $11,216 at June 30, 2018 and 2017, respectively.

Dollar Amounts are in Thousands

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.

The chart below details the changes in the allowance for loan losses for 2018 and 2017:

Change in Allowance for Loan Losses For Year Ended June 30, 2018:	Beginning 2018 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2018 Allowance
VJF	$ 4,304	$ (497)	$ (462)	$ 38	$ 3,383
VACC	563	424	(236)	2	753
VSBDC	1,390	105	(294)	2	1,203
VT504	254	7	0	0	261
VEDA Total	$ 6,511	$ 39	$ (992)	$ 42	$ 5,600

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
VT504	250	4	0	0	254
VEDA Total	$ 7,216	$ 301	$ (1,116)	$ 110	$ 6,511

(5) Commercial Paper

Since 1998, the Authority has issued commercial paper to fund a portion of 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

VEDA has an agreement with J.P. Morgan Chase Bank, National Association ("JPM") to provide two LCs for the issuance of taxable and tax-exempt commercial paper. At June 30, 2018 and 2017, the principal amount of the combined letters of credit was $95,000. 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 $692 and $969 for 2018 and 2017, respectively.

The chart below shows the amounts and terms of commercial paper at June 30, 2018 and 2017:

Commercial Paper Outstanding at June 30, 2018	Issue Date	Maturity Date	Interest Rate	Amount Issued
Taxable commercial paper	06/11/2018	08/13/2018	2.200%	$ 85,000
Tax-exempt commercial paper	06/11/2018	08/13/2018	1.360%	8,800
Total Commercial Paper Outstanding at June 30, 2018			**2.121%**	**$ 93,800**

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

The changes in commercial paper due to newly issued or refunded and matured commercial paper during fiscal 2018 and 2017 is shown in the charts below:

Changes in Commercial Paper for the year ending June 30, 2018	2018 Beginning Balance	Total CP Issued	Total CP Matured	2018 Ending Balance
Taxable commercial paper	$ 85,000	$ 510,000	$ (510,000)	$ 85,000
Tax-exempt commercial paper	7,800	51,650	(50,650)	8,800
Total Commercial Paper	**$ 92,800**	**$ 561,650**	**$ (560,650)**	**$ 93,800**

Changes in Commercial Paper for the year ending June 30, 2017	2017 Beginning Balance	Total CP Issued	Total CP Matured	2017 Ending Balance
Taxable commercial paper	$ 140,000	$ 1,095,000	$ (1,150,000)	$ 85,000
Tax-exempt commercial paper	9,000	69,450	(70,650)	7,800
Total Commercial Paper	**$ 149,000**	**$ 1,164,450**	**$ (1,220,650)**	**$ 92,800**

Dollar Amounts are in Thousands

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	Interest Rate	Amount Issued
Taxable commercial paper	08/13/2018	11/08/2018	2.350%	$ 85,000
Tax-exempt commercial paper	08/13/2018	11/08/2018	1.750%	8,500
Total Commercial Paper Outstanding Subsequent to Year End			**2.295%**	**$ 93,500**

(6) Interfund Notes Payable and Notes Payable

Interfund Notes Payable

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

The interfund notes payable outstanding at June 30, 2018 and 2017 are shown in the chart below:

Interfund Notes Payable for Years Ending June 30:	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2017	Balance 2018
VACC - line of credit note	$ 70,000	09/30/16	09/30/19	2.85%	$ 63,300	$ 56,300
VSBDC Loan Fund - line of credit note	25,000	09/30/16	09/30/19	2.85%	12,740	13,545
VT504 CDC Fund - line of credit note	5,000	09/30/16	09/30/19	2.85%	1,150	1,490
Total Interfund Notes Payable	**$ 100,000**			**2.85%**	**$ 77,190**	**$ 71,335**

Detail of the changes in the interfund notes payable outstanding at June 30, 2018 and 2017 are shown in the chart below:

Fund or Company Note (Receivable) or Payable	2017 Beginning Balance	Add New Payable or (Receivable)	Payments Received or (Paid)	2017 Ending Balance	Add New Payable or (Receivable)	Payments Received or (Paid)	2018 Ending Balance
VJF	$ (50,365)	$ (40,525)	$ 13,700	$ (77,190)	$ (9,620)	$ 15,475	$ (71,335)
VACC	37,550	38,750	(13,000)	63,300	7,700	(14,700)	56,300
VSBDC	12,815	625	(700)	12,740	1,580	(775)	13,545
VT504	0	1,150	0	1,150	340	0	1,490
VEDA TOTAL	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Notes to Financial Statements

Dollar Amounts are in Thousands

Notes Payable

Details of notes payable as of June 30, 2017 and 2018 are shown in the chart below:

Notes Payable for Years Ending June 30:	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2017	Balance 2018
Northfield Savings Bank (mortgage)	$ 3,400	12/13/07	02/15/25	2.90%	$ 2,101	$ 1,853
Northfield Savings Bank (line of credit)	5,000	12/05/17	12/05/18	5.00%	0	0
TD Bank, N.A. (variable-rate)	30,000	02/24/17	02/24/20	2.63%	30,000	30,000
TD Bank, N.A. (fixed-rate)	25,000	02/24/17	02/24/27	3.06%	25,000	24,000
TD Bank, N.A. (variable-rate)	25,000	03/22/17	02/24/20	2.63%	25,000	10,000
TD Bank, N.A. (fixed-rate)	15,000	06/29/18	06/29/23	3.49%	0	15,000
TD Bank, N.A. (line of credit)	20,000	03/10/17	04/30/19	2.63%	20,000	20,000
State of Vermont	10,000	02/01/15	01/31/25	2.43%	10,000	10,000
Total Notes Payable - VJF	**$ 133,400**			**2.83%**	**$ 112,101**	**$ 110,853**
Total Notes Payable - VACC (Cobank, ACB)	**$ 40,000**	**12/01/17**	**12/01/18**	**4.01%**	**$ 12,000**	**$ 23,000**
USDA Rural Development IRP	$ 1,000	09/08/89	09/08/19	1.00%	$ 129	$ 87
USDA Rural Development IRP	1,000	10/04/94	10/04/24	1.00%	322	283
USDA Rural Development IRP	1,000	03/16/95	03/16/25	1.00%	309	269
USDA Rural Development IRP	200	03/09/06	03/09/24	1.00%	82	71
USDA Rural Development IRP	750	11/19/10	11/19/40	1.00%	676	651
USDA Rural Development IRP	750	03/09/06	03/09/36	1.00%	548	522
USDA Rural Development IRP	750	06/27/08	06/27/38	1.00%	600	574
USDA Rural Development IRP	750	10/27/09	10/27/39	1.00%	651	626
USDA Rural Development IRP	1,000	01/10/14	01/10/44	1.00%	1,000	971
USDA Rural Development IRP	1,000	07/13/16	07/13/46	1.00%	875	1,000
USDA Rural Development IRP	1,000	12/19/17	12/19/47	1.00%	0	250
Total Notes Payable - VSBDC	**$ 9,200**			**1.00%**	**$ 5,192**	**$ 5,304**
USDA Rural Development IRP	$ 750	10/27/09	10/27/39	1.00%	$ 651	$ 626
USDA Rural Development IRP	750	11/19/10	11/19/40	1.00%	676	651
USDA Rural Development IRP	1,000	02/10/14	02/10/44	1.00%	1,000	967
USDA Rural Development IRP	1,000	04/21/17	04/21/47	1.00%	250	963
Total Notes Payable - VT504	**$ 3,500**			**1.00%**	**$ 2,577**	**$ 3,207**
Total Notes Payable	**$ 186,100**			**2.91%**	**$ 131,870**	**$ 142,364**

The Authority's notes payable are described below:

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 2018 and 2017 are fees related to the LOC in the amount of $10 and $12, respectively.

TD Bank, NA ("TDB")

Variable-Rate Notes

VEDA has two variable-rate notes with an aggregate outstanding balance of $40,000 and $55,000 at June 30, 2018 and 2017, respectively. Both notes have the same three-year maturity and the same floating interest rate. The notes call for monthly interest payments and principal at maturity. The loans are collateralized with $40,000 of moral obligation pledge of the State and $4,000 of investment securities.

Fixed-Rate Notes

The Authority has two fixed-rate notes. The first had an outstanding balance of $24,000 and $25,000 at June 30, 2018 and 2017, respectively. This note has an original maturity of ten years and calls for monthly interest payments and annual principal payments of $1,000 for each of the first five years and $4,000 for each of the remaining five years. The second fixed-rate loan closed at the end of 2018. This note calls for monthly interest payments and principal at maturity.

Included in VJF interest expense are fees related to the TDB notes in the amount of $13 and $63 for 2018 and 2017, respectively.

Line of Credit Note

VEDA has a revolving line of credit note (the "line") with an outstanding balance of $20,000 for both June 30, 2018 and 2017. The line is secured by various loans receivable. The line was extended for two-years in 2018 and calls for monthly interest payments at a floating interest rate and principal at maturity. Included in VJF interest expense in 2018 and 2017 are fees related to the line in the amount of $0 and $4, respectively.

State of Vermont

The Authority has a ten-year, fixed-rate, loan from the State in the amount of $10,000. The loan not collateralized and is fixed for the first five years and then has a one-time interest rate adjustment for the remaining five years. The loan calls for quarterly interest payments and principal at maturity.

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 2018 and 2017 are fees related to the LOC in the amount of $45 and $34, respectively.

Dollar Amounts are in Thousands

United States Department of Agriculture ("USDA") Intermediary Relending Program ("IRP")

The VSBDC and the VT504 have a total of fifteen notes payable to the USDA Intermediary Relending Program through the USDA Department of Rural Development. All IRP notes are 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 payments. The IRP notes are collateralized with the assets of the respective VSBDC and VT504 IRP Funds.

The schedule below details the changes in notes payable in 2018 and 2017:

Changes in Note Payable For Year Ending June 30, 2018:	2018 Beginning Balance	Add New Debt	Less Debt Paid	2018 Ending Balance
VJF	$ 112,101	$ 15,000	$ 16,248	$ 110,853
VACC	12,000	22,000	11,000	23,000
VSBDC	5,192	375	263	5,304
VT504	2,577	713	83	3,207
Total for FY 2018	**$ 131,870**	**$ 38,088**	**$ 27,594**	**$ 142,364**

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
VT504	2,377	250	50	2,577
Total for FY 2017	**$ 62,267**	**$ 103,625**	**$ 34,022**	**$ 131,870**

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

	Notes Payable Principal				Notes Payable Interest			
Fiscal Year	VJF	VACC	VSBDC	VT504	VJF	VACC	VSBDC	VT504
2019	$ 21,255	$ 23,000	$ 269	$ 84	$ 3,157	$ 457	$ 53	$ 32
2020	41,263	0	271	85	2,567	0	50	31
2021	1,271	0	268	118	1,475	0	48	30
2022	1,279	0	276	119	1,437	0	45	29
2023	19,287	0	279	121	1,398	0	42	28
2024-2028	26,498	0	1,107	620	1,622	0	173	122
2029-2033	0	0	994	653	0	0	122	90
2034-2038	0	0	978	686	0	0	72	57
2039-2043	0	0	604	561	0	0	29	22
2044-2048	0	0	258	160	0	0	6	3
Total	**$ 110,853**	**$ 23,000**	**$ 5,304**	**$ 3,207**	**$ 11,656**	**$ 457**	**$ 640**	**$ 444**

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 $15,478 and $16,124 of loans at June 30, 2018 and 2017, respectively. The VT504 received $127 and $156 in fees related to the SBA 504 Loan Program in 2018 and 2017, 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.

Lease Revenue 56-58 East State		
Fiscal Year		VJF
2019	$	160
2020		161
2021		162
2022		163
2023		164
Total	**$**	**810**

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 $203 and $215 in 2018 and 2017, respectively 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 to the right.

The Authority has a lease for 4,175 square feet of office space and common area at 60 Main Street in Burlington, Vermont. Under the lease, the Authority has fixed monthly payments and a share of common area maintenance and other costs. Payments over the remaining term of the lease are shown by fiscal year in the chart to the right. VEDA has annually renewable leases for space at three satellite offices located in Middlebury, Brattleboro, and St. Johnsbury. The Authority paid occupancy expenses under these leases for the years ended June 30, 2018 and 2017, of $125 and $119, respectively.

Lease Expense 60 Main Street		
Fiscal Year		VJF
2019	$	54
2020		69
2021		75
2022		76
2023		78
2024-2025		99
Total	**$**	**451**

Dollar Amounts are in Thousands

(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:	2016	2017	2018
Contributions to Simplified Employer Plan ("SEP")	$ 263	$ 301	$ 327
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 has a contingent liability to Vermont banks that have loans enrolled under the Financial Access Program ("FAP") and under the Energy Efficiency Loan Guarantee Program ("EELGP"). The FAP was repealed in 2016 and the EELGP was repealed in 2017. At June 30, 2018 and 2017, the Authority had contingent liabilities to Vermont banks of $41 and $86, respectively.

The Authority recorded provision for loss related to a loan guaranteed loan under the FAP of $27 in 2018. The loss is recorded under the caption "Provision for losses on insured loans" on the *Statement of Revenues, Expenses and Changes in Net Position*.

Other Contingent Liabilities

The Authority receives financial assistance from the Federal government in the form of loan guarantees, grants and interest subsidies. Entitlement to Federal financial assistance is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. All Federal financial assistance programs are subject to either the Uniform Guidance or to financial and compliance audits by the grantor agencies. Any guarantee amounts paid and received that are disallowed because of these audits would become a liability of the Authority. At June 30, 2018 and 2017, 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.

Dollar Amounts are in Thousands

(11) Loan Commitments Outstanding

At June 30, 2018, the Authority had commitments for new loans and undisbursed amounts on existing loans. The amounts are expected to be disbursed in fiscal 2019 and are detailed in the chart below:

Outstanding Commitments Balances at June 30, 2018	VJF	VACC	VSBDC	VT504	VEDA TOTAL
Loan receivable commitments	$ 11,997	$ 6,108	$ 2,696	$ 412	$ 21,213
Undisbursed loans receivable	8,700	3,342	977	567	13,586
Outstanding Commitments	**$ 20,697**	**$ 9,450**	**$ 3,673**	**$ 979**	**$ 34,799**

(12) Relationships with the State of Vermont

Advances

Outstanding advance balances are reflected on the *Statement of Net Position* under the caption "Other Liability – State of Vermont."

In 2014, the Authority received an 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. The aggregate amount of principal payments collected at June 30, 2018 and 2017 was $762 and $544, respectively and is 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 the spring of 2011 and from Tropical Storm Irene at the end of August 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 2018 and 2017 was $14 and $4, respectively. The amount of the advance outstanding at June 30, 2018 and 2017 was $0 and $14, respectively. The amounts earned on advances are reflected under the caption "Deferred appropriation earned" on the *Statement of Revenues, Expenses and Changes in Net Position*

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:

Dollar Amounts are in Thousands

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 $104 and $101 in fees in 2018 and 2017, 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 $27 and $31 in fees for services in 2018 and 2017, 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 $16 and $9 in fees for services in 2018 and 2017, 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 $19 and $18 in fees for services in 2018 and 2017, respectively.

Windham County Economic Development Program ("WCEDP")

The Authority provides services to the State Agency of Commerce and Community Development ("ACCD") for the WCEDP to help businesses in Windham County that are adversely impacted by the closing of the Vermont Yankee Nuclear Power Plant in Vernon. The VJF earned fees for services of $15 in 2018; no fees were earned in 2017.

A summary of the cash and loans receivable at June 30, 2018 and 2017 for the respective State agencies are shown in the chart below:

Due to Agency at June 30, 2018:	**DWF**	**CEDF**	**SIB**	**BRF**	**WCEDF**	**TOTAL**
Cash and cash equivalents	$ 2,180	$ 990	$ 2,130	$ 146	$ 155	$ 5,601
Loans receivable	14,950	2,235	0	1,609	1,910	20,704
Total Due To Agency at June 30, 2018	**$ 17,130**	**$ 3,225**	**$ 2,130**	**$ 1,755**	**$ 2,065**	**$ 26,305**

Due to Agency 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 at June 30, 2017	**$ 17,016**	**$ 3,558**	**$ 2,134**	**$ 1,604**	**$ 1,496**	**$ 25,808**

(13) Restricted Net Position

VEDA had restricted net position of $26,150 and $26,985 at June 30, 2018 and 2017, respectively. The purpose of the restricted net position amounts is detailed below:

Collateral Reserve Funds

Under the letter of credit agreement with JPM (Note 5) and the certain notes payable to TD Bank, the Authority is required to have a minimum of $21,500 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 restricted net position representing its investment in the Vermont Seed Capital Fund (Note 3). By statute, all revenues derived from the fund must be reinvested in the VSCF or another seed capital fund. Consequently, the amount of the investment is recorded on the *Statement of Net Position* as a restricted investment.

Federal Program

Under the terms of the agreement with the US Treasury for operation of the State Small Business Credit Initiative ("SSBCI"), funds held for distribution to borrowers must be restricted. The program ended on March 31, 2017, but funds still remained at June 30, 2017 for disbursement on existing SSBCI loans; the remaining funds were disbursed in 2018. At June 30, 2018 and 2017, there was $0 and $172, respectively, of restricted SSBCI cash outstanding.

VEDA Capital Access Programs ("VCAP")

Included in Restricted cash and cash equivalents was $285 and $282 in the VJF at June 30, 2018 and 2017, 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*.

Dollar Amounts are in Thousands

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, 2016, 2017 & 2018:	Balance at 06/30/2016	Increase (Decrease)	Balance at 06/30/2017	(Decrease) Increase	Balance at 06/30/2018
For collateral reserve funds	$ 20,131	$ 2,408	$ 22,539	$ (630)	$ 21,909
For Vermont seed capital fund	3,397	(15)	3,382	(159)	3,223
For energy guarantee program	1,000	(1,000)	0	0	0
For federal program	1,555	(1,383)	172	(170)	2
For VEDA Capital Access Program	99	21	120	0	120
For Escrows, Reserves and Deposits	0	11	11	(1)	10
VJF Total	**26,182**	**42**	**26,224**	**(960)**	**25,264**
For interest rate subsidies	38	(38)	0	0	0
For investment in Cobank	668	79	747	121	868
VACC Total	**706**	**41**	**747**	**121**	**868**
Community Advantage Restricted Cash	5	9	14	4	18
VT504 Total	**5**	**9**	**14**	**4**	**18**
Totals at June 30, 2016, 2017 and 2018	**$ 26,893**	**$ 92**	**$ 26,985**	**$ (835)**	**$ 26,150**

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

SUPPLEMENTARY INFORMATION

Combining Financial Statements – Vermont Small Business Development Corporation

Combining Financial Statements – Vermont 504 Corporation

June 30, 2018 and 2017

Supplementary Schedules

Vermont Small Business Development Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Net Position

as of June 30, 2018 and 2017

Dollar Amounts in Thousands	as of June 30, 2018			as of June 30, 2017		
	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Current Assets:						
Unrestricted cash and cash equivalents	$ 870	$ 130	$ 1,000	$ 464	$ 152	$ 616
Loans receivable	909	1,610	2,519	742	1,468	2,210
Accrued interest receivable	13	32	45	12	27	39
Total current assets	1,792	1,772	3,564	1,218	1,647	2,865
Loans receivable, less current portion	6,957	13,940	20,897	6,887	13,634	20,521
Less allowance for loan losses	(326)	(877)	(1,203)	(367)	(1,023)	(1,390)
Loans receivable, less current portion, net of allowance	6,631	13,063	19,694	6,520	12,611	19,131
Total assets	**$ 8,423**	**$ 14,835**	**$ 23,258**	**$ 7,738**	**$ 14,258**	**$ 21,996**
Current Liabilities:						
Interfund note payable	$ 0	$ 13,545	$ 13,545	$ 0	$ 12,740	$ 12,740
Notes payable	269	0	269	234	0	234
Accounts payable and accrued expenses	0	0	0	3	0	3
Interfund accounts (receivable) payable	(1)	74	73	(67)	98	31
Accrued interest payable	29	0	29	29	0	29
Total current liabilities	297	13,619	13,916	199	12,838	13,037
Notes payable, less current portion	5,035	0	5,035	4,958	0	4,958
Other liability - State of Vermont	0	0	0	0	14	14
Total liabilities	**$ 5,332**	**$ 13,619**	**$ 18,951**	**$ 5,157**	**12,852**	**$ 18,009**
Net position	**$ 3,091**	**$ 1,216**	**$ 4,307**	**$ 2,581**	**$ 1,406**	**$ 3,987**

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, 2018 and 2017

Dollar Amounts in Thousands	For the Year Ended June 30, 2018 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	For the Year Ended June 30, 2017 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Operating Revenues:						
Cash and investment revenue	$ 10	$ 3	$ 13	$ 3	$ 2	$ 5
Loans receivable interest	349	684	1,033	328	694	1,022
Other revenues	19	28	47	19	32	51
Total operating revenues	378	715	1,093	350	728	1,078
Operating Expenses:						
Notes payable interest	53	0	53	50	0	50
Interfund interest expense	0	320	320	0	197	197
Provision for loan losses	(41)	146	105	59	(66)	(7)
Professional fees	(3)	19	16	1	7	8
Interfund expense allocation	149	293	442	184	300	484
Total operating expenses	158	778	936	294	438	732
Operating income (loss)	**220**	**(63)**	**157**	**56**	**290**	**346**
Non-operating revenue:						
Deferred appropriation earned	0	14	14	0	4	4
Interfund non-operating revenue (expense)	290	(141)	149	322	(353)	(31)
Total non-operating revenue (expense)	290	(127)	163	322	(349)	(27)
Net increase (decrease) in net position	**510**	**(190)**	**320**	**378**	**(59)**	**319**
Net position at beginning of year	2,581	1,406	3,987	2,203	1,465	3,668
Net position at end of year	**$ 3,091**	**$ 1,216**	**$ 4,307**	**$ 2,581**	**$ 1,406**	**$ 3,987**

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, 2018 and 2017

Dollar Amounts in Thousands	For the Year Ended June 30, 2018 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	For the Year Ended June 30, 2017 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Cash flows from operating activities:						
Interest received on loans receivable	$ 348	$ 679	$ 1,027	$ 327	$ 697	$ 1,024
Other revenues received	19	28	47	19	32	51
Operating expenses paid other than interest	(83)	(336)	(419)	(110)	(338)	(448)
Principal received on loans receivable	1,023	2,166	3,189	1,290	2,915	4,205
Principal disbursed on loans receivable	(1,260)	(2,906)	(4,166)	(2,805)	(2,861)	(5,666)
Net cash provided by (used for) operating activities	**47**	**(369)**	**(322)**	**(1,279)**	**445**	**(834)**
Cash flows from noncapital financing activities:						
Interest paid on notes payable	(53)	0	(53)	(45)	0	(45)
Interest paid on interfund note payable	0	(320)	(320)	0	(197)	(197)
Interfund non-operating revenue (expense)	290	(141)	149	322	(353)	(31)
Interfund transfer of loans receivable	0	0	0	(246)	246	0
Proceeds from interfund note payable	0	1,580	1,580	0	625	625
Payments on interfund note payable	0	(775)	(775)	0	(700)	(700)
Proceeds from notes payable	375	0	375	875	0	875
Payments on notes payable	(263)	0	(263)	(232)	0	(232)
Net cash provided by (used for) non-capital financing activities	**349**	**344**	**693**	**674**	**(379)**	**295**
Cash flows from investing activities:						
Interest received on cash and investments	10	3	13	3	2	5
Net cash provided by investing activities	**10**	**3**	**13**	**3**	**2**	**5**
Net increase (decrease) in cash and cash equivalents	**406**	**(22)**	**384**	**(602)**	**68**	**(534)**
Cash and cash equivalents at beginning of year	464	152	616	1,066	84	1,150
Cash and cash equivalents at end of year	**$ 870**	**$ 130**	**$ 1,000**	**$ 464**	**$ 152**	**$ 616**
Reconciliation of operating income to net cash provided by (used for) operating activities:						
Operating income (loss)	**$ 220**	**$ (63)**	**$ 157**	**$ 56**	**$ 290**	**$ 346**
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Interest income on investment activities	(10)	(3)	(13)	(3)	(2)	(5)
Interest expense on notes payable	53	0	53	50	0	50
Interest paid on interfund notes payable	0	320	320	0	197	197
Provision for loan losses	(41)	146	105	59	(66)	(7)
Changes in assets and liabilities:						
Loans receivable	(237)	(448)	(685)	(1,516)	143	(1,373)
Allowance for loan losses	0	(292)	(292)	1	(89)	(88)
Accrued interest receivable	(1)	(5)	(6)	(1)	3	2
Other assets	0	0	0	0	1	1
Accounts payable and accrued expenses	(3)	0	(3)	0	2	2
Interfund accounts payable	66	(24)	42	75	(34)	41
Net cash provided by (used for) operating activities	**$ 47**	**$ (369)**	**$ (322)**	**$ (1,279)**	**$ 445**	**$ (834)**

Vermont 504 Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Net Position

as of June 30, 2018 and 2017

Dollar Amounts in Thousands	as of June 30, 2018 VT504 IRP Fund	as of June 30, 2018 VT504 SBA CDC Fund	as of June 30, 2018 VT504 Combined Total	as of June 30, 2017 VT504 IRP Fund	as of June 30, 2017 VT504 SBA CDC Fund	as of June 30, 2017 VT504 Combined Total
Current Assets:						
Unrestricted cash and cash equivalents	$ 843	$ 62	$ 905	$ 707	$ 94	$ 801
Restricted cash	0	18	18	0	14	14
Loans receivable	293	341	634	188	426	614
Accrued interest receivable	8	2	10	6	3	9
Total current assets	1,144	423	1,567	901	537	1,438
Loans receivable, less current portion	3,467	1,624	5,091	2,938	1,048	3,986
Less allowance for loan losses	(246)	(15)	(261)	(240)	(14)	(254)
Loans receivable, less current portion, net of allowance	3,221	1,609	4,830	2,698	1,034	3,732
Total assets	**$ 4,365**	**$ 2,032**	**$ 6,397**	**$ 3,599**	**1,571**	**$ 5,170**
Current Liabilities:						
Interfund note payable	$ 0	$ 1,490	$ 1,490	$ 0	$ 1,150	$ 1,150
Notes payable	84	0	84	50	0	50
Interfund accounts payable (receivable)	34	12	46	(139)	87	(52)
Accrued interest payable	13	0	13	13	0	13
Total current liabilities	131	1,502	1,633	(76)	1,237	1,161
Notes payable, less current portion	3,123	0	3,123	2,527	0	2,527
Total liabilities	**$ 3,254**	**$ 1,502**	**$ 4,756**	**$ 2,451**	**1,237**	**$ 3,688**
Restricted net position	0	18	18	0	14	14
Unrestricted net position	1,111	512	1,623	1,148	320	1,468
Net Position	**$ 1,111**	**$ 530**	**$ 1,641**	**$ 1,148**	**$ 334**	**$ 1,482**

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, 2018 and 2017

Dollar Amounts in Thousands	For the Year Ended June 30, 2018			For the Year Ended June 30, 2017		
	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 revenue	$ 8	$ 1	$ 9	$ 4	$ 0	$ 4
Loans receivable interest	155	75	230	135	37	172
Other revenues	15	135	150	6	159	165
Total operating revenues	178	211	389	145	196	341
Operating Expenses:						
Notes payable interest	26	0	26	24	0	24
Interfund interest expense	0	33	33	0	9	9
Provision for loan losses	6	1	7	(6)	10	4
Professional fees	0	5	5	0	4	4
Interfund expense allocation	90	113	203	62	88	150
Total operating expenses	122	152	274	80	111	191
Operating income	**56**	**59**	**115**	**65**	**85**	**150**
Interfund non-operating revenue (expense)	(93)	137	44	275	9	284
Net (decrease) increase in net position	**(37)**	**196**	**159**	**340**	**94**	**434**
Net position at beginning of year	1,148	334	1,482	808	240	1,048
Net position at end of year	**$ 1,111**	**$ 530**	**$ 1,641**	**$ 1,148**	**$ 334**	**$ 1,482**

Vermont 504 Corporation
(A Component Unit of the Vermont Economic Development Authority)
Combining Statement of Cash Flows
For the Years Ended June 30, 2018 and 2017

Dollar Amounts in Thousands	For the Year Ended June 30, 2018			For the Year Ended June 30, 2017		
	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Cash flows from operating activities:						
Interest received on loans receivable	$ 153	$ 76	$ 229	$ 135	$ 35	$ 170
Other revenues received	15	135	150	6	159	165
Operating expenses paid other than interest	83	(193)	(110)	(233)	(233)	(466)
Principal received on loans receivable	355	475	830	509	346	855
Principal disbursed on loans receivable	(989)	(966)	(1,955)	(653)	(1,433)	(2,086)
Net cash used for operating activities	**(383)**	**(473)**	**(856)**	**(236)**	**(1,126)**	**(1,362)**
Cash flows from noncapital financing activities:						
Interest paid on notes payable	$ (26)	$ 0	$ (26)	$ (24)	$ 0	$ (24)
Interest paid on interfund note payable	0	(33)	(33)	0	(9)	(9)
Interfund non-operating revenue (expense)	(93)	137	44	275	9	284
Proceeds from interfund note payable	0	340	340	0	1,150	1,150
Proceeds from notes payable	713	0	713	250	0	250
Payments on notes payable	(83)	0	(83)	(50)	0	(50)
Net cash provided by non-capital financing activities	**511**	**444**	**955**	**451**	**1,150**	**1,601**
Cash flows from investing activities:						
Interest received on cash and investments	8	1	9	4	0	4
Net cash provided by investing activities	**8**	**1**	**9**	**4**	**0**	**4**
Net increase (decrease) in cash and cash equivalents	**136**	**(28)**	**108**	**219**	**24**	**243**
Cash and cash equivalents at beginning of year	707	108	815	488	84	572
Cash and cash equivalents at end of year	**$ 843**	**$ 80**	**$ 923**	**$ 707**	**$ 108**	**$ 815**
Reconciliation of operating income to net cash used for operating activities:						
Operating Income	**$ 56**	**$ 59**	**$ 115**	**$ 65**	**$ 85**	**$ 150**
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:						
Interest income on investment activities	(8)	(1)	(9)	(4)	0	(4)
Interest expense on notes payable	26	0	26	24	0	24
Interest paid for interfund financing activities	0	33	33	0	9	9
Provision for loan losses	6	1	7	(6)	10	4
Changes in assets and liabilities:						
Loans receivable	(634)	(491)	(1,125)	(144)	(1,087)	(1,231)
Accrued interest receivable	(2)	1	(1)	0	(2)	(2)
Accounts payable and accrued expenses	0	0	0	0	(1)	(1)
Interfund accounts payable	173	(75)	98	(171)	(140)	(311)
Net cash used for operating activities	**$ (383)**	**$ (473)**	**$ (856)**	**$ (236)**	**$ (1,126)**	**$ (1,362)**