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, 2020 and 2019

(and Report of Independent Auditors)

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

Financial Statements with Supplementary Information

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Supplementary Information

Report on Management's Responsibility

October 22, 2020

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.

Cassie Polhemus

Cassandra Polhemus, Chief Executive Officer

Thad Richardson, 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:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Vermont Economic Development Authority (the Authority), as of and for the years ended June 30, 2020 and 2019, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 2020 and 2019, 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 as listed in the table of contents 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Colchester, Vermont
October 22, 2020

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 and uses of changes in cash and cash equivalents for the year. Activities that effect a change 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).

 (continued)

Dollar Amounts in Thousands, Years are Fiscal

Net Position

Table 1 below compares the Net Position of VEDA for years ending 2018-2020.

Table 1: Net Position				2018 to 2019		2019 to 2020	
Fiscal Years	**2018**	**2019**	**2020**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Cash and investments	$ 32,509	$ 35,582	$ 38,000	$ 3,073	9%	$ 2,418	7%
Loans receivable	266,689	279,140	278,628	12,451	5%	(512)	0%
Allowance for loan losses	(5,600)	(5,619)	(6,367)	(19)	0%	(748)	13%
Capital assets	4,964	4,801	4,953	(163)	-3%	152	3%
Accrued interest receivable	678	850	818	172	25%	(32)	-4%
Other assets	1,038	861	696	(177)	-17%	(165)	-19%
Total Assets	**$ 300,278**	**$ 315,615**	**$ 316,728**	**$ 15,337**	**5%**	**$ 1,113**	**0%**
Commercial paper	$ 93,800	$ 92,300	$ 91,000	$ (1,500)	-2%	$ (1,300)	-1%
Notes payable	142,364	156,304	157,768	13,940	10%	1,464	1%
Other liabilities	7,054	7,641	7,519	587	8%	(122)	-2%
Total Liabilities	**$ 243,218**	**$ 256,245**	**$ 256,287**	**$ 13,027**	**5%**	**$ 42**	**0%**
Restricted net position	26,150	28,845	28,595	2,695	10%	(250)	-1%
Net investment in capital assets	3,111	3,204	3,618	93	3%	414	13%
Unrestricted net position	27,799	27,321	28,228	(478)	-2%	907	3%
Total Net Position	**$ 57,060**	**$ 59,370**	**$ 60,441**	**$ 2,310**	**4%**	**$ 1,071**	**2%**

Total assets increased $1,113 in 2020, compared to an increase of $15,337 in 2019. The primary reason for the increase in total assets in 2020 was the increase in cash generated by operations, and gains in investment values, whereas the increase in 2019 was driven primarily by the increase in outstanding loans receivable of $12,451. In 2020, total loans receivable saw a net decrease of $512, which was comprised of $11,508 of new loans in the SBA Paycheck Protection Program, offset by a decline in VEDA's other loan portfolios from scheduled amortization and refinancing activity (Note 4). VEDA's total debt remained stable in 2020, increasing just $42, compared to an increase of $13,027 in 2019. In 2019, the Authority issued a new fixed-rate note payable for $22,000 and used the proceeds to reduce the balance on VEDA's working capital line of credit (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 increased by $152 in 2020 due primarily to improvements to the 56 East State Street property. Total capital asset purchases were $397, offset by depreciation expense of $245. In 2019 capital assets decreased by $163 due to capital asset purchases of $94, offset by depreciation expense of $257.

(continued)

Dollar Amounts in Thousands, Years are Fiscal

Accrued interest receivable decreased $32 in 2020 after increasing $172 in 2019, due primarily to lower interest rates on loans receivable in 2020 compared with 2019.

Other assets decreased $165 and $177 in 2020 and 2019, respectively, primarily the result of a $129 and $212 reduction in Insurance and Taxes receivable due from borrowers.

Other liabilities decreased $122 in 2020 due to a $689 decrease in payments due on sold loans, partially offset by increase in accrued operating expense. Other liabilities increased $587 in 2019 due to an increase of $722 of payments due on sold loan compared with $121 of payments due at June 30, 2018. These variances are caused by a timing issue regarding payments received on sold loans during 2019, compared with 2020 and 2018.

Total Net Position increased by $1,071 in 2020, the result of $1,132 of operating income and $61 of non-operating expense. This represents a decrease of $1,239, or 54%, from the 2019 net increase of $2,310, for reasons discussed below.

Revenues, Expenses and Changes in Net Position

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 2018 to 2019 and from 2019 to 2020.

Table 2: Revenues, Expenses & Changes in Net Position				**2018 to 2019**		**2019 to 2020**	
Fiscal Years	**2018**	**2019**	**2020**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Operating Revenues:							
Cash and investment income	$619	$ 789	$ 738	$ 170	27%	$ (51)	-6%
Net increase in fair value of investments	56	1,325	1,090	1,269	2266%	(235)	-18%
Loans receivable interest	11,246	14,314	13,452	3,068	27%	(862)	-6%
Other revenues	1,183	913	1,349	(270)	-23%	436	48%
Total Operating Revenues	**$ 13,104**	**$ 17,341**	**$ 16,629**	**$ 4,237**	**32%**	**$ (712)**	**-4%**
Operating Expenses:							
Commercial paper and notes payable interest	5,452	7,510	6,565	2,058	38%	(945)	-13%
Provision for loan losses	39	502	1,800	463	1187%	1,298	259%
Losses on insured loans	27	11	0	(16)	-59%	(11)	-100%
Staff salaries and benefits	5,069	5,243	5,408	174	3%	165	3%
Professional fees	493	336	316	(157)	-32%	(20)	-6%
Office and administrative	1,307	1,338	1,163	31	2%	(175)	-13%
Depreciation	281	257	245	(24)	-9%	(12)	-5%
Total Operating Expenses	**12,668**	**15,197**	**15,497**	**2,529**	**20%**	**300**	**2%**
Operating Income (Loss)	**$ 436**	**$ 2,144**	**$ 1,132**	**$ 1,708**	**392%**	**$ (1,012)**	**-47%**
Non-operating revenue (expense)	(146)	166	(61)	312	214%	(227)	-137%
Change in Net Position	**$ 290**	**$ 2,310**	**$ 1,071**	**$ 2,020**	**697%**	**$ (1,239)**	**-54%**

(continued)

Cash and investment income decreased $51 in 2020, due to lower yields offsetting higher average balances, while 2019 increased $170 due to both higher yields and average balances.

Net increase in fair value of investments was $1,090 in 2020 due primarily to $985 of unrealized gains and $105 of net realized gains, while unrealized and realized gains totaled $1,146 and $179 in 2019, respectively.

Loan receivable interest was $862 less in 2020 due to lower yields and stable average loan balances, following an increase of $3,068 from 2018 to 2019, which was due to both higher yields and loan balances.

Other revenue consists primarily of fees received from borrowers and fees for services to the State of Vermont and others. In 2020, other revenues were $436 higher due primarily to $517 of fees earned for originating loans in the SBA Paycheck Protection Program ("PPP") program, offset by lower fees earned from other lending programs. 2019 other revenues trailed 2018 by $270 due primarily to Industrial Revenue Bond fees, which were down $263.

Interest expense, which includes debt issuance costs, was $945 lower in 2020 due to a lower cost of funds as market rates moved lower during the year, and stable average debt balances.

Provision for loan losses in 2020 were $1,298 greater than 2019 due to deteriorating economic conditions at June 30, 2020 and the expectation for higher potential credit losses going forward. 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 $0 in 2020 and were $11 in 2019. The loss on insured loans are from the Vermont Capital Access Program which is described in Note 1 to the basic financial statements.

Staff salaries and benefits increased $165 in 2020, or 3%, due primarily to normal salary adjustments and benefit costs.

Professional fees decreased $20 in 2020, following a $157 decrease in 2019 when a prior consulting function was brought in house.

Office and administrative expenses decreased $175 in 2020 as occupancy, supplies, and other office-based expense categories were largely reduced by the move to remote work resulting from the COVID-19 pandemic during the fourth quarter of the year.

Depreciation expense decreased $12 and $24 in 2020 and 2019, respectively. The difference is lower depreciation on new capital asset purchase relative to assets becoming fully depreciated; new capital purchase in 2020 and 2019 were $397 and $94, respectively.

(continued)

Dollar Amounts in Thousands, Years are Fiscal

Cash Flows

Table 3 is a presentation that provides important information about the sources and uses of the Authority's cash inflows and outflows from its business operations. Cashflows 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* that includes the purchase and the financing of capital assets and related repayments.

Table 3: Cash Flows				**2018 to 2019**		**2019 to 2020**	
Fiscal Years	**2018**	**2019**	**2020**	***Chg $***	***Chg %***	***Chg $***	***Chg %***
Provided by principal payments received	$ 38,019	$ 45,826	$ 50,107	$ 7,807	21%	$ 4,281	9%
Provided by interest payments received	11,089	14,159	13,483	3,070	28%	(676)	-5%
Provided by sale of notes receivable	3,362	0	0	(3,362)	-100%	0	0%
Used for principal disbursed on loans	(52,629)	(58,760)	(50,643)	(6,131)	-12%	8,117	14%
Used for all other operating activities	(5,686)	(5,234)	(6,134)	452	8%	(900)	-17%
Provided by (Used for) Operating Activities	**$ (5,845)**	**$ (4,009)**	**$ 6,813**	**$ 1,836**	**31%**	**$ 10,822**	**270%**
(Used for) provided by non-capital financing activities	6,372	5,229	(5,360)	(1,143)	-18%	(10,589)	-203%
(Used for) provided by investing activities	450	(865)	2,353	(1,315)	-292%	3,218	372%
(Used for) provided by capital financing activities	(336)	(401)	(704)	(65)	-19%	(303)	-76%
Net increase (decrease) in cash and cash equivalents	**$ 641**	**$ (46)**	**$ 3,102**	**$ (687)**	**-107%**	**$ 3,148**	**6843%**

Table 3 shows that operating (i.e. lending) activities provided cash flows totaling $6,813 in 2020 as loan balances remained stable overall, while using cash of $4,009 in 2019 to support stronger loan growth. In 2020, non-capital financing activities used $5,360 in the servicing and net repayment of debt, compared to cash provided by non-capital financing of $5,229 in 2019 as new debt was issued. Investing activities provided net cash of $2,353 in 2020 from the income and sale of investments, whereas 2019 saw a use of $865 in cash to purchase investments. Capital investing activities used cash totaling $704 in 2020 to fund improvements to real estate and continue scheduled repayment of associated mortgage debt.

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Dollar Amounts in Thousands, Years are Fiscal

Credit Risk Management

Credit risk is the possibility that a borrower will default on the obligation to repay their debt. To provide for this risk the Authority maintains allowances for loan losses ("reserves") on specific loans receivable where a loss is determined to be probable. VEDA also maintains general reserves for future losses not yet identified that are estimated based on historical loss experience, economic conditions, industry concentration and expectation of future events that would adversely affect VEDA borrowers.

Table 4 details the specific and general reserves and the total reserves as a percentage of outstanding loans receivable balances at June 30, 2020, 2019, and 2018.

Table 4: Change in Allowance for Loan Losses From 2018 to 2020

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
2020	$278,628	$ 1,724	$ 4,643	$ 6,367	0.62%	1.67%	2.29%
2019	$279,140	$ 2,093	$ 3,526	$ 5,619	0.75%	1.26%	2.01%
2018	$266,689	$ 1,608	$ 3,992	$ 5,600	0.60%	1.50%	2.10%

The Authority's allowance for loan losses at June 30, 2020 totaled $6,367, or 2.29% of outstanding loans receivable at June 30, 2020. This compares to an allowance of $5,619, or 2.01%, and $5,600 or 2.10% of outstanding loans receivable at the end of 2019 and 2018, respectively. 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.

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, 2020.

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

Averages for Fiscal Year(s):	2020	2019	2018	2018 - 2020	2011 - 2020
Loan Loss Provisions as a % of Average Outstanding Loans	0.65%	0.18%	0.01%	0.29%	0.48%

(continued)

Dollar Amounts in Thousands, Years are Fiscal

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. Likewise, fixed-rate loans receivable are matched with fixed-rate liabilities.

Table 6 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 6: Repricing/Maturity Analysis of Loans Receivable & Funding Liabilities

Loan and Funding Liability Repricing/ Maturity Analysis at June 30, 2020	Within 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 years to 25 Years	Total
Loans receivable, net of allowance	**$ 151,753**	**$ 10,974**	**$ 38,110**	**$ 71,424**	**$ 272,261**
Commercial paper	91,000	0	0	0	91,000
Notes payable	68,512	11,492	60,743	17,021	157,768
Other Liability - State of Vermont	0	0	0	5,500	5,500
Total Funding Liabilities	**$ 159,512**	**$ 11,492**	**$ 60,743**	**$ 22,521**	**$ 254,268**
Loan & Funding Liability Repricing Gap	**$ (7,759)**	**$ (518)**	**$ (22,633)**	**$ 48,903**	**$ 17,993**
Loan and Funding Liability Repricing/ Maturity Analysis at June 30, 2019	**Within 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**5 years to 25 Years**	**Total**
Loans receivable	$ 180,943	$ 6,683	$ 27,867	$ 58,028	$ 273,521
Funding Liabilities	166,963	1,488	54,721	30,932	254,104
Loan & Funding Liability Repricing Gap	**$ 13,980**	**$ 5,195**	**$ (26,854)**	**$ 27,096**	**$ 19,417**

At June 30, 2020, the Authority's repricing gap over the twenty-five-year time horizon is a positive $17,993, compared to a repricing gap at June 30, 2019 of $19,417. At June 30, 2020, the loans receivable maturing or repricing within three-months totaled $151,753 and $180,943 at June 30, 2020 and 2019, respectively. The difference is due to borrowers' continued desire for fixed rate loans, which caused the amount maturing or repricing between 5 to 25 years to increase from $58,028 in 2019 to $71,424 in 2020.

During 2020 VEDA was able to reduce outstanding balances on the CoBank line of credit by $6,152, and commercial paper by $1,300; these changes account for the majority of the change in liabilities repricing in the first three-months from $166,963 at June 30, 2019 to $159,512 at June 30, 2020. Notes payable repricing or maturing with 3 months to 1 year increased from $1,488 in 2019 to $11,492 in

(continued)

Dollar Amounts in Thousands, Years are Fiscal

2020 due primarily to the repricing of $10,000 in notes payable due to the State of Vermont in May 2021, compared with $0 in 2019.

Liquidity Risk

Liquidity risk is the risk that a company or bank may be unable to meet short term financial demands. The Authority maintains adequate availability on its line of credit with Cobank, ACB (Note 6) to provide liquidity for funding its day to day lending operations. VEDA also maintains a back-up line of credit with Northfield Savings Bank, FSB (Note 6); this back-up facility was not used in 2020 or 2019.

Another form of liquidity risk is "refunding risk." Refunding Risk is the risk that when debt reaches maturity, it cannot be refunded with the issuance of new debt under reasonable rates and terms. The credit support provided by letters of credit for VEDA's commercial paper (Note 5) and the credit support of the State through its moral obligation pledge ("MO") provide the Authority with access to capital rates and terms it could not otherwise obtain. At June 30, 2020 and 2019, the Authority had $181,000 and $175,000, respectively of State MO pledged for credit support VEDA debt (Note 12).

Capital Adequacy

Table 7 below details the Authority's net position as a percentage of total assets at June 30, 2020, 2019, and 2018. 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 7: Net Position as a % of Total Assets

As of June 30:	VJF	VACC	VSBDC	VT504	VEDA
2020	24%	12%	17%	13%	19%
2019	22%	13%	17%	26%	18%
2018	21%	14%	18%	26%	19%

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Net Position as of June 30, 2020

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	$ 1,843	$ 244	$ 1,845	$ 1,822	$ 5,754
Restricted	2,445	250	0	25	2,720
Total cash and cash equivalents	4,288	494	1,845	1,847	8,474
Loans receivable	15,908	10,226	2,741	5,481	34,356
Accrued interest receivable	423	322	45	28	818
Other assets	610	86	0	0	696
Total current assets	21,229	11,128	4,631	7,356	44,344
Investments					
Unrestricted	1,559	0	0	0	1,559
Restricted	27,094	873	0	0	27,967
Total investments	$ 28,653	873	0	0	29,526
Loans receivable, less current portion	125,237	80,005	25,041	13,989	244,272
Less allowance for loan losses	(2,767)	(2,282)	(1,064)	(254)	(6,367)
Loans receivable, less current portion, net of allowance	122,470	77,723	23,977	13,735	237,905
Capital assets, net of accumulated depreciation	4,953	0	0	0	4,953
Total assets	**$ 177,305**	**$ 89,724**	**$ 28,608**	**$ 21,091**	**$ 316,728**
Current Liabilities:					
Commercial paper	$ 91,000	$ 0	$ 0	$ 0	$ 91,000
Notes payable	61,271	8,347	268	118	70,004
Escrow and reserve accounts	643	250	0	0	893
Accounts payable and accrued expenses	932	51	9	7	999
Interfund accounts (receivable) payable	(1,820)	842	583	395	0
Accrued interest payable	52	33	22	20	127
Total current liabilities	152,078	9,523	882	540	163,023
Notes payable, less current portion	69,064	0	6,314	12,386	87,764
Interfund notes (receivable) payable	(91,115)	69,105	16,665	5,345	0
Other liability - State of Vermont	5,500	0	0	0	5,500
Total liabilities	**$ 135,527**	**$ 78,628**	**$ 23,861**	**$ 18,271**	**$ 256,287**
Restricted net position	27,697	873	0	25	28,595
Net investment in capital assets	3,618	0	0	0	3,618
Unrestricted net position	10,463	10,223	4,747	2,795	28,228
Total net position	**$ 41,778**	**$ 11,096**	**$ 4,747**	**$ 2,820**	**$ 60,441**

See accompanying notes to the basic financial statements

Vertmont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Net Position as of June 30, 2019

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	$ 986	$ 596	$ 908	$ 1,064	$ 3,554
Restricted	1,797	0	0	21	1,818
Total cash and cash equivalents	2,783	596	908	1,085	5,372
Loans receivable	21,342	12,944	3,152	1,105	38,543
Accrued interest receivable	447	322	64	17	850
Other assets	659	202	0	0	861
Total current assets	25,231	14,064	4,124	2,207	45,626
Investments					
Unrestricted	2,091	0	0	0	2,091
Restricted	27,149	970	0	0	28,119
Total investments	29,240	970	0	0	30,210
Loans receivable, less current portion	126,059	85,023	23,505	6,010	240,597
Less allowance for loan losses	(3,284)	(945)	(1,202)	(188)	(5,619)
Loans receivable, less current portion, net of allowance	122,775	84,078	22,303	5,822	234,978
Capital assets, net of accumulated depreciation	4,801	0	0	0	4,801
Total assets	**$ 182,047**	**$ 99,112**	**$ 26,427**	**$ 8,029**	**$ 315,615**
Current Liabilities:					
Commercial paper	$ 92,300	$ 0	$ 0	$ 0	$ 92,300
Notes payable	61,263	14,500	304	85	76,152
Escrow and reserve accounts	113	0	0	0	113
Accounts payable and accrued expenses	875	872	0	0	1,747
Interfund accounts (receivable) payable	(2,115)	1,860	211	44	0
Accrued interest payable	184	49	32	16	281
Total current liabilities	152,620	17,281	547	145	170,593
Notes payable, less current portion	70,334	0	5,867	3,951	80,152
Interfund notes (receivable) payable	(85,770)	68,500	15,390	1,880	0
Other liability - State of Vermont	5,500	0	0	0	5,500
Total liabilities	**$ 142,684**	**$ 85,781**	**$ 21,804**	**$ 5,976**	**$ 256,245**
Restricted net position	27,854	970	0	21	28,845
Net investment in capital assets	3,204	0	0	0	3,204
Unrestricted net position	8,305	12,361	4,623	2,032	27,321
Total net position	**$ 39,363**	**$ 13,331**	**$ 4,623**	**$ 2,053**	**$ 59,370**

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, 2020

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	$ 684	$ 11	$ 26	$ 17	$ 738
Net increase in fair value of investments	1,090	0	0	0	1,090
Loans receivable interest	6,734	5,106	1,254	358	13,452
Other revenues	571	81	57	640	1,349
Total operating revenues	9,079	5,198	1,337	1,015	16,629
Operating Expenses:					
Commercial paper and notes payable interest	5,894	563	66	42	6,565
Interfund interest (revenue) expense	(3,010)	2,376	567	67	0
Provision for loan losses	312	1,471	(49)	66	1,800
Provision for losses on insured loans	0	0	0	0	0
Staff salaries, expenses, and benefits	4,119	1,289	0	0	5,408
Professional fees	215	85	14	2	316
Office and administrative expenses	1,163	0	0	0	1,163
Interfund (revenue) expense allocation	(2,714)	1,778	546	390	0
Depreciation on capital assets	245	0	0	0	245
Total operating expenses	6,224	7,562	1,144	567	15,497
Operating income (loss)	**2,855**	**(2,364)**	**193**	**448**	**1,132**
Non-operating (expense) revenue:					
Non-operating revenue - seed capital fund	10	0	0	0	10
Capital access program rebate expense	(8)	0	0	0	(8)
Net increase in fair value of non-operating investments	(63)	0	0	0	(63)
Interfund non-operating (expense) revenue	(379)	129	(69)	319	0
Total non-operating (expense) revenue	(440)	129	(69)	319	(61)
Net increase (decrease) in net position	**2,415**	**(2,235)**	**124**	**767**	**1,071**
Net position at beginning of year	39,363	13,331	4,623	2,053	59,370
Net position at end of year	**$ 41,778**	**$ 11,096**	**$ 4,747**	**$ 2,820**	**$ 60,441**

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, 2019

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	$ 737	$ 15	$ 21	$ 16	$ 789
Net increase in fair value of investments	1,325	0	0	0	1,325
Loans receivable interest	7,224	5,571	1,208	311	14,314
Other revenues	538	158	75	142	913
Total operating revenues	9,824	5,744	1,304	469	17,341
Operating Expenses:					
Commercial paper and notes payable interest	6,718	698	59	35	7,510
Interfund interest (revenue) expense	(2,937)	2,337	540	60	0
Provision for loan losses	101	336	44	21	502
Provision for losses on insured loans	11	0	0	0	11
Staff salaries, expenses, and benefits	3,897	1,346	0	0	5,243
Professional fees	245	72	12	7	336
Office and administrative expenses	1,338	0	0	0	1,338
Interfund (revenue) expense allocation	(2,582)	1,815	519	248	0
Depreciation on capital assets	257	0	0	0	257
Total operating expenses	7,048	6,604	1,174	371	15,197
Operating income (loss)	**2,776**	**(860)**	**130**	**98**	**2,144**
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 non-operating investments	157	0	0	0	157
Interfund non-operating (expense) revenue	(1,625)	1,125	186	314	0
Total non-operating (expense) revenue	(1,459)	1,125	186	314	166
Net increase in net position	**1,317**	**265**	**316**	**412**	**2,310**
Net position at beginning of year	38,046	13,066	4,307	1,641	57,060
Net position at end of year	$ 39,363	$ 13,331	$ 4,623	$ 2,053	$ 59,370

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, 2020

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	$ 6,757	$ 5,106	$ 1,273	$ 347	$ 13,483
Other revenues received	571	81	57	640	1,349
Operating expenses paid other than interest	(2,382)	(4,875)	(179)	(34)	(7,470)
Receipts from VCAP participating banks	(13)	0	0	0	(13)
Principal received on loans receivable	25,129	18,659	5,285	1,034	50,107
Principal disbursed on loans receivable	(19,699)	(11,056)	(6,499)	(13,389)	(50,643)
Net cash provided by (used for) operating activities	**10,363**	**7,915**	**(63)**	**(11,402)**	**6,813**
Cash flows from non-capital financing activities:					
Commercial paper and notes payable interest paid	(5,981)	(483)	(76)	(38)	(6,578)
Interfund notes payable interest received (paid)	3,010	(2,376)	(567)	(67)	0
Interfund non-operating (expense) revenue	(379)	129	(69)	319	0
Interfund transfer of loans receivable for cash (out)	0	0	0	0	0
Non-operating revenue - seed capital fund	10	0	0	0	10
Proceeds to establish restricted loan reserves	540	250	0	0	790
Proceeds from issuance of commercial paper	456,870	0	0	0	456,870
Payments on maturing commercial paper	(458,170)	0	0	0	(458,170)
Proceeds (disbursed) received on interfund notes payable	(18,345)	13,605	1,275	3,465	0
Payments received (paid) on interfund notes payable	13,000	(13,000)	0	0	0
Proceeds from notes payable	0	16,600	683	8,553	25,836
Payments on notes payable	(1,000)	(22,753)	(272)	(85)	(24,110)
Capital access program rebates paid	(8)	0	0	0	(8)
Payments to banks for losses on insured loans, net	0	0	0	0	0
Net cash (used for) provided by non-capital financing activities	**(10,453)**	**(8,028)**	**974**	**12,147**	**(5,360)**
Cash flows from investing activities:					
Redemption or sale of investments	1,729	0	0	0	1,729
Purchase of investments	(221)	0	0	0	(221)
Revenue received on cash and investments	791	11	26	17	845
Net cash provided by investing activities	**2,299**	**11**	**26**	**17**	**2,353**
Cash flows from capital and related financing activities:					
Purchase of capital assets	(397)	0	0	0	(397)
Payments on mortgage note payable	(262)	0	0	0	(262)
Interest paid on mortgage note payable	(45)	0	0	0	(45)
Net cash used for capital and related financing activities	**(704)**	**0**	**0**	**0**	**(704)**
Net increase (decrease) in cash and cash equivalents	**1,505**	**(102)**	**937**	**762**	**3,102**
Cash and cash equivalents at beginning of year	2,783	596	908	1,085	5,372
Cash and cash equivalents at end of year	**$ 4,288**	**$ 494**	**$ 1,845**	**$ 1,847**	**$ 8,474**

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2020

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)	$ 2,855	$ (2,364)	$ 193	$ 448	$ 1,132
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Interest revenue on investment activities	(684)	(11)	(26)	(17)	(738)
Net decrease (increase) in fair value of investments	(1,090)	0	0	0	(1,090)
Interest expense	5,894	563	66	42	6,565
Interest (revenue) expense for interfund activities	(3,010)	2,376	567	67	0
Provision for loan losses	312	1,471	(49)	66	1,800
Provision for losses on insured loans	0	0	0	0	0
Depreciation expense	245	0	0	0	245
Changes in assets and liabilities:					
Loans receivable	6,256	7,736	(1,125)	(12,355)	512
Allowance for loan losses	(829)	(134)	(89)	0	(1,052)
Accrued interest receivable	23	0	19	(11)	31
Other assets	49	117	0	0	166
Escrow and reserve accounts	(10)	0	0	0	(10)
Accounts payable and accrued expenses	57	(821)	9	7	(748)
Interfund accounts payable (receivable)	295	(1,018)	372	351	0
Net cash provided by (used for) operating activities	**$ 10,363**	**$ 7,915**	**$ (63)**	**$ (11,402)**	**$ 6,813**

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, 2019

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	$ 7,133	$ 5,533	$ 1,189	$ 304	$ 14,159
Other revenues received	538	158	75	142	913
Operating expenses paid other than interest	(4,282)	(1,164)	(392)	(258)	(6,096)
Receipts from VCAP participating banks	(51)	0	0	0	(51)
Principal received on loans receivable	24,740	16,488	3,515	1,083	45,826
Principal disbursed on loans receivable	(24,412)	(24,980)	(6,687)	(2,681)	(58,760)
Net cash provided by (used for) operating activities	**3,666**	**(3,965)**	**(2,300)**	**(1,410)**	**(4,009)**
Cash flows from non-capital financing activities:					
Commercial paper and notes payable interest paid	(6,653)	(725)	(56)	(32)	(7,466)
Interfund notes payable Interest received (paid)	2,937	(2,337)	(540)	(60)	0
Interfund non-operating funds (paid) received	(1,625)	1,125	186	314	0
Interfund transfer of loans receivable for cash (out) in	(2,597)	2,597	(115)	115	0
Non-operating revenue received - seed capital fund	10	0	0	0	10
Proceeds from issuance of commercial paper	651,700	0	0	0	651,700
Payments on maturing commercial paper	(653,200)	0	0	0	(653,200)
Proceeds (disbursed) received on interfund notes payable	(30,785)	28,250	2,145	390	0
Payments received (paid) on interfund notes payable	16,350	(16,050)	(300)	0	0
Proceeds from notes payable	22,000	24,000	1,135	912	48,047
Payments on notes payable	(999)	(32,500)	(268)	(83)	(33,850)
Capital access program rebates paid	(1)	0	0	0	(1)
Payments to banks for losses on insured loans, net	(11)	0	0	0	(11)
Net cash (used for) provided by non-capital financing activities	**(2,874)**	**4,360**	**2,187**	**1,556**	**5,229**
Cash flows from investing activities:					
Redemption or sale of investments	1,735	0	0	0	1,735
Purchase of investments	(3,449)	(102)	0	0	(3,551)
Revenue received on cash and investments	899	15	21	16	951
Net cash (used for) provided by investing activities	**(815)**	**(87)**	**21**	**16**	**(865)**
Cash flows from capital and related financing activities:					
Purchase of capital assets	(94)	0	0	0	(94)
Payments on mortgage note payable	(257)	0	0	0	(257)
Interest paid on mortgage note payable	(50)	0	0	0	(50)
Net cash used for capital and related financing activities	**(401)**	**0**	**0**	**0**	**(401)**
Net (decrease) increase in cash and cash equivalents	**(424)**	**308**	**(92)**	**162**	**(46)**
Cash and cash equivalents at beginning of year	3,207	288	1,000	923	5,418
Cash and cash equivalents at end of year	**$ 2,783**	**$ 596**	**$ 908**	**$ 1,085**	**$ 5,372**

See accompanying notes to the basic financial statements *(Continued)*

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Cash Flows

For the Year Ended June 30, 2019

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)	$ 2,776	$ (860)	$ 130	$ 98	$ 2,144
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:					
Interest revenue on investment activities	(737)	(15)	(21)	(16)	(789)
Net increase in fair value of investments	(1,325)	0	0	0	(1,325)
Interest expense	6,718	698	59	35	7,510
Interest (income) expense for interfund financing	(2,937)	2,337	540	60	0
Provision for loan losses	101	336	44	21	502
Provision for losses on insured loans	11	0	0	0	11
Depreciation expense	257	0	0	0	257
Changes in assets and liabilities:					
Loans receivable	529	(8,349)	(3,126)	(1,505)	(12,451)
Allowance for loan losses	(200)	(144)	(45)	(94)	(483)
Accrued loan interest receivable	(91)	(38)	(19)	(7)	(155)
Other assets	49	128	0	0	177
Escrow and reserve accounts	(52)	0	0	0	(52)
Accounts payable and accrued expenses	32	613	0	0	645
Interfund accounts payable (receivable)	(1,465)	1,329	138	(2)	0
Net cash provided by (used for) operating activities	**$ 3,666**	**$ (3,965)**	**$ (2,300)**	**$ (1,410)**	**$ (4,009)**

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, 2020 and 2019

Dollar Amounts in Thousands	2020 Agency Funds	2019 Agency Funds
Assets		
Current Assets:		
Restricted cash and cash equivalents	$ 8,748	$ 6,427
Loans receivable	4,178	2,330
Total current assets	12,926	8,757
Loans receivable, less current portion	$ 24,270	$ 18,745
Total assets	**$ 37,196**	**$ 27,502**
Liabilities		
Current Liabilities:		
Due to Drinking Water State Revolving Fund	$ 15,768	$ 17,291
Due to Clean Energy Development Fund	2,300	2,705
Due to State Infrastructure Bank	2,376	2,300
Due to Brownfields Revolving Loan Fund	1,616	1,759
Due To CWSRF	11,303	0
Due to Windham County Economic Development Fund	3,833	3,447
Total liabilities	**$ 37,196**	**$ 27,502**

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; renewable 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 and 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: Treasurer of the State; Secretary of the Agency of Commerce and Community Development; Secretary of Agriculture, Food and Markets; Commissioner of Forests, Parks and Recreation; and Commissioner of Public Service. The remaining ten Board members are 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 $779,091 of these bonds; $292,896 and $300,715 remain outstanding at June 30, 2020 and 2019 respectively, however these bonds are held by outside investors and as such are not reported as assets of the authority. 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 2020 the Authority received $0 in fees for as no industrial development bonds were issued, compared with fees totaling $23 in 2019.

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

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*.

The Authority recorded provision for loss related to VCAP loans of $0 and $11 in 2020 and 2019, respectively. The losses are recorded under the caption "Provision for losses on insured loans" on the *Statement of Revenues, Expenses and Changes in Net Position*.

<u>Vermont Agricultural Credit Corporation ("VACC")</u>

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.

<u>Vermont Small Business Development Corporation ("VSBDC")</u>

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.

<u>Vermont 504 Corporation ("VT504")</u>

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. In 2020 The VT504-CDC also participated in the SBA Paycheck Protection Program ("PPP") lending program, providing loans to eligible borrowers as part of the CARES Act response to COVID-19.

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.

<u>(c) Agency Funds ("AGN")</u>

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.

(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 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.

(Continued)

(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 where the accrual of interest has been discontinued are designated 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. 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, 2020 and 2019:

Dollar Amounts are in Thousands

Capital Assets Schedule For the Year Ending June 30, 2020:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier	$ 5,822	$ 351	$ 0	$ 0	$ 6,173
Leasehold Improvements - Burlington	201	0	0	0	201
Accumulated Depreciation - RE & LHI	(1,837)	0	(190)	0	(2,027)
Furniture, fixtures and equipment	1,568	46	0	0	1,614
Accumulated Depreciation - FF&E	(1,453)	0	(55)	0	(1,508)
Developed Land - Montpelier	500	0	0	0	500
Total Capital Assets, net	**$ 4,801**	**$ 397**	**$ (245)**	**$ 0**	**$ 4,953**

Capital Assets Schedule For the Year Ending June 30, 2019:	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real Estate - Montpelier	$ 5,735	$ 87	$ 0	$ 0	$ 5,822
Leasehold Improvements - Burlington	201	0	0	0	201
Accumulated Depreciation - RE & LHI	(1,658)	0	(179)	0	(1,837)
Furniture, fixtures and equipment	1,561	7	0	0	1,568
Accumulated Depreciation - FF&E	(1,375)	0	(78)	0	(1,453)
Developed Land - Montpelier	500	0	0	0	500
Total Capital Assets, net	**$ 4,964**	**$ 94**	**$ (257)**	**$ 0**	**$ 4,801**

<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.

<u>(k) Allocation of Expenses</u>

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."

(Continued)

(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) Risks and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Although it is not possible to determine the pandemic's ultimate length, severity, or impacts on the economy or the Authority's finances, the Authority could experience material adverse effects posed by the risks, or our stakeholders' perceptions of the risks, related to COVID-19. As a result of the pandemic, beginning in March 2020, the Authority moved to a remote working environment. The Authority experienced reductions in certain recurring operating costs, such as travel and utilities, while also experiencing an increase in requests for deferrals of payments from borrowers. Additionally, the Authority participated in the SBA Paycheck Protection Program as a lender as described in footnote 1. The full extent of the impact of COVID-19 on the Authority will depend on various future developments, particularly the duration and depth of the pandemic, which may be influenced by emerging medical treatments and applicable health and safety regulations.

(o) Adoption of New Accounting Pronouncements

During the fiscal year ended June 30, 2020, the Authority adopted the following new accounting standards issued by the GASB:

GASB No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* (GASB 95) provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions that became effective or were scheduled to become effective for periods beginning after June 15, 2018 and later.

(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.

Dollar Amounts are in Thousands

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, 2020 and 2019 were $872 and $554, respectively. The balances were comprised of direct obligations of the U.S. Government. The money market funds are Level 1 investments. With the exception of $450 of money market funds held with the main investment portfolio, 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 $8,748 and $6,427 at June 30, 2020 and 2019, respectively.

A trust indenture governs how the majority of restricted cash and cash equivalents in the VJF can be invested. The restricted cash is 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, 2020:	**VJF**	**VACC**	**VSBDC**	**VT504**	**VEDA TOTAL**	**AGENCY**
Collateralized deposit accounts	$ 3,416	$ 494	$ 1,845	$ 1,847	$ 7,602	$ 8,748
Money market accounts	872	0	0	0	872	0
Total cash and cash equivalents	**$ 4,288**	**$ 494**	**$ 1,845**	**$ 1,847**	**$ 8,474**	**$ 8,748**

Cash and Cash Equivalent Balances at June 30, 2019:	**VJF**	**VACC**	**VSBDC**	**VT504**	**VEDA TOTAL**	**AGENCY**
Collateralized deposit accounts	$ 2,229	$ 596	$ 908	$ 1,085	$ 4,818	$ 6,427
Money market accounts	554	0	0	0	554	0
Total cash and cash equivalents	**$ 2,783**	**$ 596**	**$ 908**	**$ 1,085**	**$ 5,372**	**$ 6,427**

Investments

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.

Exchange-Traded Funds ("ETF")

The ETF is indexed to S&P 500 stock market index and 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, 2020 and 2019, the VACC owned $873 and $970 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, 2020 and 2019 was $0. There are no unfunded commitments related to VCP.

The Authority, as General Partner pays ongoing expenses as needed and VEDA will be reimbursed by VCP. As of June 30, 2020 and 2019, the Authority had expended $458 and $458, 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 2010 through 2018, the Authority received State funds for investment in VSCF totaling $4,157. In both June of 2020 and 2019, the Authority received $10 from the State for investment in the VSCF, bringing the total VSCF investment to $4,177 at June 30, 2020. 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, 2020 and 2019 was $3,338 and $3,390, respectively. There are no unfunded commitments related to VSCF.

Dollar Amounts are in Thousands

All investments as of June 30, 2020, and 2019 are shown in the chart below:

Fair Value Hierarchy	Investments By Type or By Issuer	Weighted Average Term (yrs)	At June 30, 2019 Cost Basis	At June 30, 2019 Fair Value ("FV")	At June 30, 2020 Cost Basis	At June 30, 2020 Fair Value ("FV")
Level 1:	Total Bond Market Index Fund	8.6	$ 10,260	$ 10,406	$ 9,582	$ 10,326
Level 1:	Corporate Bond Index Fund	3.1	10,197	10,276	9,645	9,953
Level 1:	Exchange-Traded S&P Index Fund	n/a	4,140	5,166	3,853	5,036
Level 1:	Domestic Money Market Funds	n/a	2	2	0	0
Level 3:	CoBank, ACB Stock	n/a	970	970	873	873
Excluded*	Vermont Seed Capital Fund, LP	n/a	4,167	3,390	4,177	3,338
Excluded*	Vermont Capital Partners, LP	n/a	2,000	0	2,000	0
Total Investments			**$ 31,736**	**$ 30,210**	**$ 30,130**	**$ 29,526**

*Recorded at net asset value as practical expedient.

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 bond 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, 2020 and 2019, are detailed in the charts below.

Loans Receivable By Major Program Group - Balances at June 30, 2020:	VJF	VACC	VSBDC	VT504	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	$ 20,589	$ 0	$ 0	$ 0	$ 20,589	8%
Direct loans to businesses	103,968	0	0	0	103,968	37%
Agricultural loans	13,636	90,231	0	0	103,867	37%
Small business loans	2,952	0	27,782	19,470	50,204	18%
Total Loans Receivable	**$ 141,145**	**$ 90,231**	**$ 27,782**	**$ 19,470**	**$ 278,628**	**100%**

Loans Receivable By Major Program Group - Balances at June 30, 2019:	VJF	VACC	VSBDC	VT504	VEDA TOTAL	As a % of TOTAL
Loans to development corporations	$ 21,884	$ 0	$ 0	$ 0	$ 21,884	8%
Direct loans to businesses	105,993	0	0	0	105,993	38%
Agricultural loans	14,989	97,967	0	0	112,956	40%
Small business loans	4,535	0	26,657	7,115	38,307	14%
Total Loans Receivable	**$ 147,401**	**$ 97,967**	**$ 26,657**	**$ 7,115**	**$ 279,140**	**100%**

In addition to loans receivable shown above, there were $28,448 and $21,075 of Agency Fund loans outstanding at June 30, 2020 and 2019, respectively. These loans are represented on the *Statement of Fiduciary Assets and Liabilities*.

Dollar Amounts are in Thousands

Nonaccrual Loans

The outstanding balance of nonaccrual loans at June 30, 2020 and 2019 was $21,120 and $18,365, respectively. The allowance for loan losses specific to nonaccrual loans totaled $1,684 and $2,096 at June 30, 2020 and 2019, respectively. Total interest collected on nonaccrual loans in the years ended 2020 and 2019 was $947 and $859, respectively.

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.

As a result of the unprecedented economic conditions associated with the COVID-19 pandemic, management applied a qualitative factor to the historical calculation for 2020, resulting in a significant increase in the provision for loan losses necessary to reach the level of required reserves.

The chart below details the changes in the allowance for loan losses for 2020 and 2019:

Change in Allowance for Loan Losses For Year Ended June 30, 2020:	Beginning 2020 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2020 Allowance
VJF	$ 3,284	$ 312	$ (883)	$ 54	$ 2,767
VACC	945	1,471	(138)	4	2,282
VSBDC	1,202	(49)	(92)	3	1,064
VT504	188	66	0	0	254
VEDA Total	**$ 5,619**	**$ 1,800**	**$ (1,113)**	**$ 61**	**$ 6,367**

Change in Allowance for Loan Losses For Year Ended June 30, 2019:	Beginning 2019 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2019 Allowance
VJF	$ 3,383	$ 101	$ (236)	$ 36	$ 3,284
VACC	753	336	(146)	2	945
VSBDC	1,203	44	(50)	5	1,202
VT504	261	21	(94)	0	188
VEDA Total	**$ 5,600**	**$ 502**	**$ (526)**	**$ 43**	**$ 5,619**

Dollar Amounts are in Thousands

Loans Receivable Guaranteed by Federal Government The Authority has a portion of loans receivable 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, 2019 and 2020	VEDA FUND	At June 30 2019	At June 30 2020	Average Guarantee 2019	Average Guarantee 2020	Guarantee Range
USDA Department of Rural Development	VJF	$ 1,093	$ 923	80%	80%	All at 80%
USDA Department of Rural Development	VACC	98	8	81%	85%	80% - 85%
USDA Farm Service Agency, net of sold	VACC	46,281	44,543	90%	90%	80% - 95%
Small Business Administration	VT504	1,878	2,175	82%	82%	75% - 85%
SMALL Business Administration PPP	VT504	-	11,508	0%	100%	100%
Total Guaranteed Loan Receivable Balances		**$ 49,350**	**$ 59,157**	**90%**	**92%**	**75% - 95%**

Loans Sold to Third Party

No loans were sold in 2020 or 2019. At June 30, 2020 and 2019, the VACC was servicing $2,634 and $4,567, respectively of loans receivable sold.

Interfund Loan Transfers

Loans receivable are periodically transferred from the VACC to the VJF to more effectively use the available collateral for borrowings. In 2020 and 2019, $0 and $2,597 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 $13,636 and $14,989 at June 30, 2020 and 2019, respectively.

(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. The chart below shows the amounts and terms of commercial paper at June 30, 2020 and 2019:

Commercial Paper Outstanding at June 30, 2020	Issue Date	Maturity Date	Interest Rate	Amount Issued
Taxable commercial paper	06/08/2020	09/24/2020	0.250%	$ 85,000
Tax-exempt commercial paper	06/08/2020	09/24/2020	0.250%	6,000
Total Commercial Paper Outstanding			**0.250%**	**$ 91,000**

Commercial Paper Outstanding at June 30, 2019	Issue Date	Maturity Date	Interest Rate	Amount Issued
Taxable commercial paper	06/10/2019	09/09/2019	2.450%	$ 85,000
Tax-exempt commercial paper	06/10/2019	09/09/2019	1.500%	7,300
Total Commercial Paper Outstanding			**2.375%**	**$ 92,300**

(Continued)

Dollar Amounts are in Thousands

On September 24, 2020 the Authority issued taxable and non-taxable commercial paper in the amounts of $85,000 and $6,000. The stated interest rate for the taxable and non-taxable CP is 0.16% and 0.18%, respectively. Both CP notes will mature on January 7, 2021.

Letter of Credit ("LC")

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

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. The LCs expire February 17, 2021. At June 30, 2020 and 2019, the principal amount of the combined letters of credit was $95,000. The LCs are collateralized with $15,000 in restricted investments (Note 3) and a moral obligation pledge of the State for $80,000 (Note 12). 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 $703 and $706 for 2020 and 2019, respectively.

The changes in commercial paper due to new issued or refunded and matured commercial paper during 2020 and 2019 is shown in the charts below:

Changes in Commercial Paper for the year ending June 30, 2020	2020 Beginning Balance	Total CP Issued	Total CP Matured	2020 Ending Balance
Taxable commercial paper	$ 85,000	$ 425,000	$ (425,000)	$ 85,000
Tax-exempt commercial paper	7,300	31,870	(33,170)	6,000
Total Commercial Paper	**$ 92,300**	**$ 456,870**	**$ (458,170)**	**$ 91,000**

Changes in Commercial Paper for the year ending June 30, 2019	2019 Beginning Balance	Total CP Issued	Total CP Matured	2019 Ending Balance
Taxable commercial paper	$ 85,000	$ 595,000	$ (595,000)	$ 85,000
Tax-exempt commercial paper	8,800	56,700	(58,200)	7,300
Total Commercial Paper	**$ 93,800**	**$ 651,700**	**$ (653,200)**	**$ 92,300**

(Continued)

(6) Notes Payable and Interfund Notes Payable

Notes Payable

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 back-up liquidity facility of $5,000 with NSB that has annual line reviews and calls for monthly payments of interest at a floating rate. Included in VJF interest expense in 2020 and 2019 are fees related to the LOC in the amount of $10 and $11, respectively.

TD Bank, NA ("TDB")

VEDA has two variable-rate notes with an aggregate outstanding balance of $40,000 at June 30, 2020 and 2019, respectively. Both notes have the same maturity date of February 24, 2021. The loans carry the same floating interest rate and call for monthly interest payments and principal at maturity.

The Authority has three fixed-rate notes. The first note has an outstanding balance of $22,000 and $23,000 at June 30, 2020 and 2019, 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 note with an outstanding balance of $15,000 at June 30, 2020 and 2019, has an original maturity of five years and calls for monthly interest payments and principal at maturity. The third fixed-rate note with an outstanding balance of $22,000 at June 30, 2020 and 2019, has an original maturity of five years and 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 $11 and $8 for 2020 and 2019, respectively.

The $99,000 in aggregate TDB notes payable outstanding at June 30, 2020, are collateralized with $8,700 of restricted investments (Note 4) and a moral obligation pledge of the State totaling $92,500.

VEDA has a revolving line of credit note (the "line") with an outstanding balance of $20,000 for both June 30, 2020 and 2019. The line is secured by various loans receivable. The line was extended for two-years in 2019 and calls for monthly interest payments at a floating interest rate and principal at maturity.

State of Vermont

The Authority has a loan from the State in the amount of $10,000 with an original maturity of ten years. The loan is 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. The loan was granted a 12 month rate adjustment to 1.00% effective May 1, 2020.

(Continued)

Dollar Amounts are in Thousands

Cobank, ACB ("Cobank")

The VACC has a revolving line of credit agreement with Cobank in the amount of $40,000, with $8,347 and $14,500 outstanding at June 30, 2020 and 2019, respectively. The line has been in place since 1999 and is the primary source liquidity for the Authority and its programs. 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 2020 and 2019 are fees related to the LOC in the amount of $60 and $47, respectively.

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

The VSBDC and the VT504 have 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 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 2020 and 2019:

Changes in Note Payable For Year Ending June 30:	2019 Beginning Balance	Add New Debt	Less Debt Paid	2019 Ending Balance	Add New Debt	Less Debt Paid	2020 Ending Balance
VJF	$ 110,853	$ 22,000	$ 1,256	$ 131,597	$ 0	$ 1,262	$ 130,335
VACC	23,000	24,000	32,500	14,500	16,600	22,753	8,347
VSBDC	5,304	1,135	268	6,171	683	272	6,582
VT504	3,207	912	83	4,036	8,553	85	12,504
Totals for 2019 & 2020:	**$ 142,364**	**$ 48,047**	**$ 34,107**	**$ 156,304**	**$ 25,836**	**$ 24,372**	**$ 157,768**

Dollar Amounts are in Thousands

Details of notes payable as of June 30, 2019 and 2020 are shown in the chart below:

Notes Payable for Years Ending June 30:	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2019	Balance 2020
Northfield Savings Bank	$ 3,400	12/13/07	02/15/25	2.90%	$ 1,597	$ 1,335
Northfield Savings Bank	5,000	12/05/18	12/05/20	3.25%	0	0
TD Bank, N.A. (variable-rate)	30,000	02/24/17	02/24/21	0.77%	30,000	30,000
TD Bank, N.A. (fixed-rate)	25,000	02/24/17	02/24/27	3.06%	23,000	22,000
TD Bank, N.A. (variable-rate)	25,000	03/22/17	02/24/21	0.77%	10,000	10,000
TD Bank, N.A. (fixed-rate)	15,000	06/29/18	06/29/23	3.49%	15,000	15,000
TD Bank, N.A. (fixed-rate)	22,000	01/10/19	01/10/24	3.38%	22,000	22,000
TD Bank, N.A. (line of credit)	20,000	03/10/17	04/30/21	0.87%	20,000	20,000
State of Vermont	10,000	02/01/15	01/31/25	1.00%	10,000	10,000
Total Notes Payable - VJF	**$ 155,400**			**1.97%**	**$ 131,597**	**$ 130,335**
Total Notes Payable - VACC (Cobank, ACB)	**$ 40,000**	**12/01/19**	**12/01/20**	**2.08%**	**$ 14,500**	**$ 8,347**
USDA Rural Development IRP	$1,000	09/08/89	09/08/19	1.00%	$ 46	$ 4
USDA Rural Development IRP	1,000	10/04/94	10/03/24	1.00%	243	202
USDA Rural Development IRP	1,000	03/16/95	03/15/25	1.00%	230	190
USDA Rural Development IRP	200	03/09/06	03/08/36	1.00%	59	48
USDA Rural Development IRP	750	11/19/10	11/18/40	1.00%	626	600
USDA Rural Development IRP	750	03/09/06	03/09/36	1.00%	495	469
USDA Rural Development IRP	750	06/27/08	06/27/38	1.00%	548	522
USDA Rural Development IRP	750	10/27/09	10/27/39	1.00%	600	574
USDA Rural Development IRP	1,000	01/10/14	01/10/44	1.00%	938	905
USDA Rural Development IRP	1,000	07/13/16	07/13/46	1.00%	1,000	1,000
USDA Rural Development IRP	1,000	12/19/17	12/18/47	1.00%	1,000	1,000
USDA Rural Development IRP	250	12/11/18	12/10/48	1.00%	63	63
USDA Rural Development IRP	1,000	05/21/19	05/20/49	1.00%	323	1,000
USDA Rural Development IRP	250	12/20/19	12/20/49	1.00%	0	5
Total Notes Payable - VSBDC	**$ 10,700**			**1.00%**	**$ 6,171**	**$ 6,582**
USDA Rural Development IRP	$ 750	10/27/09	10/27/39	1.00%	$ 600	$ 574
USDA Rural Development IRP	750	11/19/10	11/18/40	1.00%	626	600
USDA Rural Development IRP	1,000	02/10/14	02/10/44	1.00%	935	902
USDA Rural Development IRP	1,000	04/21/17	04/21/47	1.00%	1,000	1,000
USDA Rural Development IRP	1,000	12/11/18	12/10/48	1.00%	875	875
USDA Rural Development IRP	1,000	12/02/19	12/02/49	1.00%	0	250
PPP Liquidity Facility	8,303	06/02/20	06/23/25	0.35%	0	8,303
Total Notes Payable - VT504	**$ 13,803**			**0.57%**	**$ 4,036**	**$ 12,504**
Total Notes Payable	**$ 219,903**			**1.82%**	**$ 156,304**	**$ 157,768**

(Continued)

Dollar Amounts are in Thousands

The USDA note above with balance of $4 and original maturity of September 8, 2019 is pending settlement of final payment.

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**
2021	$ 61,271	$ 8,347	$ 268	$ 118	$ 2,452	$ 89	$ 66	$ 42
2022	1,279	0	299	7,905	2,180	0	63	90
2023	19,287	0	346	154	2,141	0	60	39
2024	26,296	0	349	164	1,487	0	57	38
2025	14,203	0	320	715	552	0	53	46
2026-2030	7,999	0	1,293	853	367	0	224	155
2031-2035	0	0	1,328	896	0	0	159	112
2036-2040	0	0	1,202	942	0	0	93	66
2041-2045	0	0	802	622	0	0	41	23
2046-2050	0	0	375	135	0	0	7	3
Total	**$ 130,335**	**$ 8,347**	**$ 6,582**	**$ 12,504**	**$ 9,179**	**$ 89**	**$ 823**	**$ 614**

Interfund Notes Payable

The VACC, VSBDC and VT504 have notes payable to the VJF to fund a portion of their lending operations. The interfund borrower-lender relationship allows the Authority to provide liquidity and facilitates cash management for all its programs. In 2019, the interfund notes payable were renewed for three years and call for monthly interest payments at a floating rate of interest. The interfund notes payable outstanding at June 30, 2020 and 2019 are shown in the chart below:

Interfund Notes Payable for Years Ending June 30:	**Note Amount**	**Issue Date**	**Maturity Date**	**Current Rate**	**Balance 2019**	**Balance 2020**
VACC	$ 80,000	09/30/16	09/30/22	3.15%	$ 68,500	$ 69,105
VSBDC Loan Fund	25,000	09/30/16	09/30/22	3.15%	15,390	16,665
VT504 CDC Fund	5,000	09/30/16	09/30/22	3.15%	1,880	5,345
Total Interfund Notes Payable	**$ 110,000**			**3.15%**	**$ 85,770**	**$ 91,115**

Dollar Amounts are in Thousands

Detail of the changes in the interfund notes payable outstanding at June 30, 2019 and 2018 are shown in the chart below:

Fund or Company Note (Receivable) or Payable	2019 Beginning Balance	Add New Payable or (Receivable)	Payments Received or (Paid)	2019 Ending Balance	Add New Payable or (Receivable)	Payments Received or (Paid)	2020 Ending Balance
VJF	$ (71,335)	$ (30,785)	$ 16,350	$ (85,770)	$ (18,345)	$ 13,000	$ (91,115)
VACC	56,300	28,250	(16,050)	68,500	13,605	(13,000)	69,105
VSBDC	13,545	2,145	(300)	15,390	1,275	0	16,665
VT504	1,490	390	0	1,880	3,465	0	5,345
VEDA TOTAL	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

(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 $13,533 and $15,103 of loans at June 30, 2020 and 2019, respectively. The VT504 received $107 and $120 in fees related to the SBA 504 Loan Program in 2020 and 2019, 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. The projected lease revenue from VEDA tenants are shown in the chart to the right.

Lease Revenue 56-58 East State	
Fiscal Year	**VJF**
2021	171
2022	171
2023	171
2024	171
2025-2028	496
Total	**$ 1,180**

VEDA has an operating lease to a single not-for-profit tenant for the first two floors in the main building. The lease was originally for fifteen years and was extended for an additional five years in 2019 after ten years. The extended lease calls for fixed monthly payments and requires the lessee to pay a pro-rata share of certain occupancy related expenses including property taxes, maintenance, and utilities.

As of June 30, 2020, the second building has new tenants following foundation remediation in the first half of 2020. Rental income from both buildings totaled $218 and $229 in 2020 and 2019, respectively and includes the pro rata share of operating expenses paid by the lessee noted above.

Dollar Amounts are in Thousands

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 in the chart to the right. VEDA has annually renewable leases for space at three additional satellite offices located in Middlebury, Brattleboro, and St. Johnsbury. The Authority paid occupancy expenses under all these leases for the years ended June 30, 2020 and 2019, of $159 and $150, respectively. VEDA has entered a seven-year renewable lease agreement for newly constructed office space in Middlebury effective September 1, 2020, and will move operations at that time. Annual base lease expense for the new property will increase from $24 to $49.

Lease Expense 60 Main Street		
Fiscal Year		**VJF**
2021		75
2022		76
2023		78
2024		79
2025		20
Total	**$**	**328**

(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. 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. 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:		**2018**		**2019**		**2020**
Contributions to Simplified Employer Plan ("SEP")	$	327	$	365	$	362
SEP Contributions as a % of Covered Payroll		10%		10%		10%

(10) 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, 2020 and 2019, 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, 2020, the Authority had commitments for new loans and undisbursed amounts on existing loans. The amounts are expected to be disbursed in 2021 and 2022 and are detailed in the chart below:

Outstanding Commitments Balances at June 30, 2020	VJF	VACC	VSBDC	VT504	VEDA TOTAL
Loan receivable commitments	$ 847	$ 2,381	$ 570	$ 335	$ 4,133
Undisbursed loans receivable	8,472	3,739	1,131	100	13,442
Outstanding Commitments	**$ 9,319**	**$ 6,120**	**$ 1,701**	**$ 435**	**$ 17,575**

(12) Relationships with the State of Vermont

Moral Obligation Pledge

State statute provides a moral obligation ("MO") pledge to support various debt issues of the Authority (Note 5 and 6). An MO pledge is not the same as a *full faith and credit* pledge of the State. Rather, the moral obligation requires VEDA to maintain reserve funds at specified reserve fund requirements and for VEDA to report any deficiencies that arise to the State. The State is then required to request an appropriation from the legislative body to make up any shortfall. Since there is no legal requirement for the State to make the appropriation, timely payment depends on the State's willingness to support VEDA's debt. At the end of 2020 and 2019 there was $181,000 and $175,000, respectively of MO authorized in State statute. Of the amount authorized, $172,500 was pledged and outstanding at June 30, 2020 and 2019, respectively.

Advances

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, 2020 and 2019 was $1,198 and $980, respectively and is recorded on the *Statement of Net Position* under the caption "Cash and cash equivalents – Restricted."

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

(Continued)

Reserves

VEDA has received funds from the State to support loan loss reserves for programs carrying higher than average risk of loss. In 2020 the VJF received $540 to support the Broadband Lending Program (BBLP), and VACC received $250 to support the Farm Ownership Loan Program (FOLP). To date, no losses have been incurred under these programs. At the conclusion of the programs, any unused funds will be due to the State; as such, the funds are carried on the VFJ and VACC balance sheets as a contingent liability.

Agency Funds

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

Drinking Water State Revolving Fund ("DWF")

VEDA assists the Agency of Natural Resources ("ANR") in the operation of the DWF which makes loans to private entities for drinking water improvement projects. The Authority issues loans receivable and is assisted by the ANR in approving the loans. The VJF earned $102 and $97 in fees in 2020 and 2019, 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 $19 and $22 in fees for services in 2020 and 2019, 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 $19 and $15 in fees for services in 2020 and 2019, 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 $20 and $18 in fees for services in 2020 and 2019, 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 and $22 in 2020 and 2019, respectively.

(Continued)

Dollar Amounts are in Thousands

Clean Water State Revolving Loan Fund Program ("CWSLRF")

The Authority provides services to the State Department of Environmental Conservation ("DEC") in the operation of the CWSLRF, which makes loans to private entities for water system improvement projects. The VJF earned fees for services of $62 and $0 in 2020 and 2019, respectively.

The chart below shows the cash and loans receivable at June 30, 2020 and 2019 for the respective State agencies:

Due to Agency at June 30, 2020:	DWF	CEDF	SIB	BRF	WCEDF	TOTAL
Cash and cash equivalents	$ 4,559	$ 719	$ 2,376	$ 223	$ 871	$ 8,748
Loans receivable	22,512	1,581	0	1,393	2,962	28,448
Total Due To Agency at June 30, 2020	**$ 27,071**	**$ 2,300**	**$ 2,376**	**$ 1,616**	**$ 3,833**	**$ 37,196**

Due to Agency at June 30, 2019:	DWF	CEDF	SIB	BRF	WCEDF	TOTAL
Cash and cash equivalents	$ 2,648	$ 722	$ 2,300	$ 205	$ 552	$ 6,427
Loans receivable	14,643	1,983	0	1,554	2,895	21,075
Total Due To Agency at June 30, 2019	**$ 17,291**	**$ 2,705**	**$ 2,300**	**$ 1,759**	**$ 3,447**	**$ 27,502**

(13) Restricted Net Position

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

VEDA had restricted net position of $28,595 and $28,485 at June 30, 2020 and 2019, respectively. The purpose of the restricted net position amounts are described below:

Restricted Net Position for Years Ending June 30, 2018, 2019 & 2020:	Balance at 06/30/2018	Increase (Decrease)	Balance at 06/30/2019	(Decrease) Increase	Balance at 06/30/2020
For collateral reserve funds	$ 21,909	$ 2,404	$ 24,313	$ (135)	$ 24,178
For Vermont seed capital fund	3,223	167	3,390	(52)	3,338
For federal program	2	(2)	0	0	0
For VEDA Capital Access Program	120	22	142	27	169
For Escrows, Reserves and Deposits	10	(1)	9	3	12
VJF Total	**25,264**	**2,590**	**27,854**	**(157)**	**27,697**
For investment in Cobank	868	102	970	(97)	873
VACC Total	**868**	**102**	**970**	**(97)**	**873**
Community Advantage Restricted Cash	18	3	21	4	25
VT504 Total	**18**	**3**	**21**	**4**	**25**
Totals at June 30, 2018, 2019 and 2020	**$ 26,150**	**$ 2,695**	**$ 28,845**	**$ (250)**	**$ 28,595**

(Continued)

Collateral Reserve Funds

Under the letter of credit agreement with JPM (Note 5) and certain notes payable to TD Bank, the Authority is required to have a minimum of $23,759 in fair value of marketable securities held with a trustee as collateral; this amount includes the $15,000 pledged to JPM and described in Note 5. 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. 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.

VEDA Capital Access Programs ("VCAP")

Included in Restricted cash and cash equivalents was $273 and $255 in the VJF at June 30, 2020 and 2019, respectively. These amounts are reserve funds held at banks participating in 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*.

Community Advantage

As part of the Small Business Administration, Community Advantage Program, the Authority is required to maintain a specified level of restricted cash. The cash is presented under the caption "Restricted Cash" in the VT504 CDC Fund.

(14) Subsequent Events

The COVID-19 pandemic caused a much higher level of loan payment deferral requests from Borrowers; the Authority continues to monitor credit quality and delinquency rates closely, with the understanding that these payment deferrals have the potential to delay potential credit quality impacts. To date there have been no material increases in delinquency or charge-off activity.

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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, 2020 and 2019

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, 2020 and 2019

Dollar Amounts in Thousands	as of June 30, 2020			as of June 30, 2019		
	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Current Assets:						
Unrestricted cash and cash equivalents	$ 1,615	$ 230	$ 1,845	$ 881	$ 27	$ 908
Loans receivable	1,032	1,709	2,741	1,247	1,905	3,152
Accrued interest receivable	15	30	45	22	42	64
Total current assets	2,662	1,969	4,631	2,150	1,974	4,124
Loans receivable, less current portion	8,218	16,823	25,041	8,021	15,484	23,505
Less allowance for loan losses	(322)	(742)	(1,064)	(332)	(870)	(1,202)
Loans receivable, less current portion, net of allowance	7,896	16,081	23,977	7,689	14,614	22,303
Total assets	**$ 10,558**	**$ 18,050**	**$ 28,608**	**$ 9,839**	**$ 16,588**	**$ 26,427**
Current Liabilities:						
Notes payable	$ 268	$ 0	$ 268	$ 304	$ 0	$ 304
Accounts payable and accrued expenses	11	(2)	9	0	0	0
Interfund accounts payable	8	575	583	19	192	211
Accrued interest payable	22	0	22	32	0	32
Total current liabilities	309	573	882	355	192	547
Notes payable, less current portion	6,314	0	6,314	5,867	0	5,867
Interfund note payable, less current portion	0	16,665	16,665	0	15,390	15,390
Total liabilities	**$ 6,623**	**$ 17,238**	**$ 23,861**	**$ 6,222**	**15,582**	**$ 21,804**
Net position	**$ 3,935**	**$ 812**	**$ 4,747**	**$ 3,617**	**$ 1,006**	**$ 4,623**

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, 2020 and 2019

Dollar Amounts in Thousands	For the Year Ended June 30, 2020 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	For the Year Ended June 30, 2019 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Operating Revenues:						
Cash and investment revenue	$ 22	$ 4	$ 26	$ 18	$ 3	$ 21
Loans receivable interest	426	828	1,254	410	798	1,208
Other revenues	21	36	57	38	37	75
Total operating revenues	469	868	1,337	466	838	1,304
Operating Expenses:						
Notes payable interest	66	0	66	59	0	59
Interfund interest expense	0	567	567	0	540	540
Provision for loan losses	(10)	(39)	(49)	27	17	44
Professional fees	(3)	17	14	(1)	13	12
Interfund expense allocation	185	361	546	194	325	519
Total operating expenses	238	906	1,144	279	895	1,174
Operating income (loss)	**231**	**(38)**	**193**	**187**	**(57)**	**130**
Non-operating revenue:						
Deferred appropriation earned	0	0	0	0	0	0
Interfund non-operating revenue (expense)	87	(156)	(69)	339	(153)	186
Total non-operating revenue (expense)	87	(156)	(69)	339	(153)	186
Net increase (decrease) in net position	**318**	**(194)**	**124**	**526**	**(210)**	**316**
Net position at beginning of year	3,617	1,006	4,623	3,091	1,216	4,307
Net position at end of year	**$ 3,935**	**$ 812**	**$ 4,747**	**$ 3,617**	**$ 1,006**	**$ 4,623**

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, 2020 and 2019

Dollar Amounts in Thousands	For the Year Ended June 30, 2020 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total	For the Year Ended June 30, 2019 VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Cash flows from operating activities:						
Interest received on loans receivable	$ 433	$ 840	$ 1,273	$ 402	$ 787	$ 1,189
Other revenues received	21	36	57	38	37	75
Operating expenses paid other than interest	(182)	3	(179)	(173)	(219)	(392)
Principal received on loans receivable	1,612	3,673	5,285	995	2,520	3,515
Principal disbursed on loans receivable	(1,594)	(4,905)	(6,499)	(2,304)	(4,383)	(6,687)
Net cash provided by (used for) operating activities	**290**	**(353)**	**(63)**	**(1,042)**	**(1,258)**	**(2,300)**
Cash flows from noncapital financing activities:						
Interest paid on notes payable	(76)	0	(76)	(56)	0	(56)
Interest paid on interfund note payable	0	(567)	(567)	0	(540)	(540)
Interfund non-operating revenue (expense)	87	(156)	(69)	339	(153)	186
Interfund transfer of loans receivable	0	0	0	(115)	0	(115)
Proceeds from interfund note payable	0	1,275	1,275	0	2,145	2,145
Payments on interfund note payable	0	0	0	0	(300)	(300)
Proceeds from notes payable	683	0	683	1,135	0	1,135
Payments on notes payable	(272)	0	(272)	(268)	0	(268)
Net cash provided by non-capital financing activities	**422**	**552**	**974**	**1,035**	**1,152**	**2,187**
Cash flows from investing activities:						
Interest received on cash and investments	22	4	26	18	3	21
Net cash provided by investing activities	**22**	**4**	**26**	**18**	**3**	**21**
Net increase (decrease) in cash and cash equivalents	**734**	**203**	**937**	**11**	**(103)**	**(92)**
Cash and cash equivalents at beginning of year	881	27	908	870	130	1,000
Cash and cash equivalents at end of year	**$ 1,615**	**$ 230**	**$ 1,845**	**$ 881**	**$ 27**	**$ 908**
Reconciliation of operating income to net cash provided by (used for) operating activities:						
Operating income (loss)	**$ 231**	**$ (38)**	**$ 193**	**$ 187**	**$ (57)**	**$ 130**
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Interest income on investment activities	(22)	(4)	(26)	(18)	(3)	(21)
Interest expense on notes payable	66	0	66	59	0	59
Interest paid on interfund notes payable	0	567	567	0	540	540
Provision for loan losses	(10)	(39)	(49)	27	17	44
Changes in assets and liabilities:						
Loans receivable	18	(1,143)	(1,125)	(1,287)	(1,839)	(3,126)
Allowance for loan losses	0	(89)	(89)	(21)	(24)	(45)
Accrued interest receivable	7	12	19	(9)	(10)	(19)
Accounts payable and accrued expenses	11	(2)	9	0	0	0
Interfund accounts payable	(11)	383	372	20	118	138
Net cash provided by (used for) operating activities	**$ 290**	**$ (353)**	**$ (63)**	**$ (1,042)**	**$ (1,258)**	**$ (2,300)**

Vermont 504 Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Net Position

as of June 30, 2020 and 2019

Dollar Amounts in Thousands	as of June 30, 2020			as of June 30, 2019		
	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Current Assets:						
Unrestricted cash and cash equivalents	$ 974	$ 848	$ 1,822	$ 883	$ 181	$ 1,064
Restricted cash	0	25	25	0	21	21
Loans receivable	470	5,011	5,481	614	491	1,105
Accrued interest receivable	8	20	28	11	6	17
Total current assets	1,452	5,904	7,356	1,508	699	2,207
Loans receivable, less current portion	4,830	9,159	13,989	4,210	1,800	6,010
Less allowance for loan losses	(155)	(99)	(254)	(173)	(15)	(188)
Loans receivable, less current portion, net of allowance	4,675	9,060	13,735	4,037	1,785	5,822
Total assets	**$ 6,127**	**$ 14,964**	**$ 21,091**	**$ 5,545**	**2,484**	**$ 8,029**
Current Liabilities:						
Notes payable	118	0	118	85	0	85
Interfund note payable	0	0	0	0	0	0
Accounts payable and accrued expenses	0	7	7	0	0	0
Interfund accounts payable	10	385	395	11	33	44
Accrued interest payable	19	1	20	16	0	16
Total current liabilities	147	393	540	112	33	145
Notes payable, less current portion	4,083	8,303	12,386	3,951	0	3,951
Interfund note payable, less current portion	0	5,345	5,345	0	1,880	1,880
Total liabilities	**$ 4,230**	**$ 14,041**	**$ 18,271**	**$ 4,063**	**$ 1,913**	**$ 5,976**
Restricted net position	0	25	25	0	21	21
Unrestricted net position	1,897	898	2,795	1,482	550	2,032
Net Position	**$ 1,897**	**$ 923**	**$ 2,820**	**$ 1,482**	**$ 571**	**$ 2,053**

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, 2020 and 2019

Dollar Amounts in Thousands	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019		
	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	$ 16	$ 1	$ 17	$ 15	$ 1	$ 16
Loans receivable interest	217	141	358	209	102	311
Other revenues	10	630	640	15	127	142
Total operating revenues	243	772	1,015	239	230	469
Operating Expenses:						
Notes payable interest	41	1	42	35	0	35
Interfund interest expense	0	67	67	0	60	60
Provision for loan losses	(18)	84	66	21	0	21
Professional fees	0	2	2	0	7	7
Interfund expense allocation	103	287	390	105	143	248
Total operating expenses	126	441	567	161	210	371
Operating income	**117**	**331**	**448**	**78**	**20**	**98**
Interfund non-operating revenue (expense)	298	21	319	293	21	314
Net increase in net position	**415**	**352**	**767**	**371**	**41**	**412**
Net position at beginning of year	1,482	571	2,053	1,111	530	1,641
Net position at end of year	**$ 1,897**	**$ 923**	**$ 2,820**	**$ 1,482**	**$ 571**	**$ 2,053**

Vermont 504 Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Cash Flows

For the Years Ended June 30, 2020 and 2019

Dollar Amounts in Thousands	For the Year Ended June 30, 2020 VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	For the Year Ended June 30, 2019 VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Cash flows from operating activities:						
Interest received on loans receivable	$ 220	$ 127	$ 347	$ 206	$ 98	$ 304
Other revenues received	10	630	640	15	127	142
Operating expenses paid other than interest	(104)	70	(34)	(128)	(130)	(258)
Principal received on loans receivable	464	570	1,034	629	454	1,083
Principal disbursed on loans receivable	(940)	(12,449)	(13,389)	(1,902)	(779)	(2,681)
Net cash used for operating activities	**(350)**	**(11,052)**	**(11,402)**	**(1,180)**	**(230)**	**(1,410)**
Cash flows from noncapital financing activities:						
Interest paid on notes payable	$ (38)	$ 0	$ (38)	$ (32)	$ 0	$ (32)
Interest paid on interfund note payable	0	(67)	(67)	0	(60)	(60)
Interfund non-operating revenue (expense)	298	21	319	293	21	314
Interfund transfer of loans receivable	0	0	0	115	0	115
Proceeds from interfund note payable	0	3,465	3,465	0	390	390
Proceeds from notes payable	250	8,303	8,553	912	0	912
Payments on notes payable	(85)	0	(85)	(83)	0	(83)
Net cash provided by non-capital financing activities	**425**	**11,722**	**12,147**	**1,205**	**351**	**1,556**
Cash flows from investing activities:						
Interest received on cash and investments	16	1	17	15	1	16
Net cash provided by investing activities	**16**	**1**	**17**	**15**	**1**	**16**
Net increase (decrease) in cash and cash equivalents	**91**	**671**	**762**	**40**	**122**	**162**
Cash and cash equivalents at beginning of year	883	202	1,085	843	80	923
Cash and cash equivalents at end of year	**$ 974**	**$ 873**	**$ 1,847**	**$ 883**	**$ 202**	**$ 1,085**
Reconciliation of operating income to net cash used for operating activities:						
Operating Income	**$ 117**	**$ 331**	**$ 448**	**$ 78**	**$ 20**	**$ 98**
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:						
Interest income on investment activities	(16)	(1)	(17)	(15)	(1)	(16)
Interest expense on notes payable	41	1	42	35	0	35
Interest paid for interfund financing activities	0	67	67	0	60	60
Provision for loan losses	(18)	84	66	21	0	21
Changes in assets and liabilities:						
Loans receivable	(476)	(11,879)	(12,355)	(1,179)	(326)	(1,505)
Allowance for loan losses	0	0	0	(94)	0	(94)
Accrued interest receivable	3	(14)	(11)	(3)	(4)	(7)
Accounts payable and accrued expenses	0	7	7	0	0	0
Interfund accounts payable	(1)	352	351	(23)	21	(2)
Net cash used for operating activities	**$ (350)**	**$ (11,052)**	**$ (11,402)**	**$ (1,180)**	**$ (230)**	**$ (1,410)**