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, 2023 and 2022

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

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Report on Management's Responsibility

November 3, 2023

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 U.S. generally accepted accounting principles ("U.S. 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.

Berry Dunn McNeil & Parker, LLC, independent auditors, are retained to audit the Authority's basic financial statements. Their accompanying report is based on an audit conducted in accordance with U.S. generally accepted auditing standards (U.S. GAAS), which include obtaining an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

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

BerryDunn

INDEPENDENT AUDITOR'S REPORT

The Members of the Authority
Vermont Economic Development Authority
(A Component Unit of the State of Vermont)

Report on the Audit of the Financial Statements

Opinions

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 ("VEDA" or the "Authority") a component unit of the State of Vermont, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 Authority as of June 30, 2023 and 2022, 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 ("U.S. GAAP").

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted auditing standards ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Changes in Accounting Principle

As discussed in Note 2 to the basic financial statements, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 101, *Compensated Absences* in 2023. Our opinion is not modified with respect to these matters.

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. GAAP; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP require that Management's Discussion and Analysis on pages 6 through 14 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by 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 U.S. GAAS, 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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 U.S. GAAS. In our opinion, the supplementary combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

Management is responsible for the other information included in the annual report. The other information is comprised of a report on management's responsibility on page one, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023 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.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 3, 2023
Registration No: 92-0000278

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 the 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 Authority's enterprise fund basic financial statements.

The ***Statement of Net Position*** presents information on the Authority's assets, liabilities and deferred inflows of resources with the difference between the three 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).

Dollar Amounts in Thousands

Change in Accounting Principle. As disclosed in Note 2 to the basic financial statements in 2022, the Authority adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. The adoption of the standard at July, 1, 2020, in which the Authority was the lessor, required recognition of $72 of short-term lease receivables, $1,416 of long-term lease receivables, and $1,488 in deferred inflows of resources. The adoption of the standard at July, 1, 2020, in which the Authority was the lessee, required recognition of $61 in short-term lease liabilities, $918 of long-term lease liabilities, and $979 in right-of-use assets. At June 30, 2021, those balances related to leases in which the Authority was the lessor were short-term lease receivables of $142, long-term lease receivables of $1,274, and deferred inflows of resources, net of accumulated amortization of $1,374. At June 30, 2021, those balances related to leases in which the Authority was the lessee were short-term lease liabilities of $141, long-term lease liabilities of $1,255, and right-of-use assets, net of accumulated amortization of $1,361. The impact of the adoption of the standard for the year ended June 30, 2021 was a reduction in net position of $14. As disclosed in Note 2 to the basic financial statements in 2023, the Authority adopted new accounting guidance, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 101, *Compensated Absences*. The adoption of the statements and related guidance during the year ended June 30, 2023 did not have a material impact of the financial statements of Authority.

Net Position

Table 1 below compares the Net Position of VEDA for years ending 2021 - 2023.

Table 1: Net Position				**2021 to 2022**		**2022 to 2023**	
Fiscal Years	**Restated 2021**	**2022**	**2023**	**Chg $**	**Chg %**	**Chg $**	**Chg %**
Cash and investments	$ 44,778	$ 49,545	$ 51,355	$ 4,767	11%	$ 1,810	4%
Loans receivable	287,942	254,609	276,233	(33,333)	(12)%	21,624	8%
Allowance for loan losses	(5,576)	(3,873)	(4,245)	1,703	(31)%	(372)	10%
Capital assets	4,756	4,565	4,422	(191)	(4)%	(143)	(3)%
Accrued interest receivable	1,166	826	906	(340)	(29)%	80	10%
Other assets	3,456	3,546	3,334	90	3%	(212)	(6)%
Total assets	336,522	309,218	332,005	(27,304)	(8)%	22,787	7%
Commercial paper	90,000	89,000	88,000	(1,000)	(1)%	(1,000)	(1)%
Notes payable	168,480	137,644	128,159	(30,836)	(18)%	(9,485)	(7)%
Other liabilities	9,612	9,344	33,067	(268)	(3)%	23,723	254%
Total liabilities	268,092	235,988	249,226	(32,104)	(12)%	13,238	6%
Deferred inflows of resources - leases	1,374	1,261	1,147	(113)	(8)%	(114)	(9)%
Net position							
Restricted net position	26,125	29,056	25,365	2,931	11%	(3,691)	(13)%
Net investment in capital assets	4,756	4,565	4,422	(191)	(4)%	(143)	(3)%
Unrestricted net position	36,175	38,348	51,845	2,173	6%	13,497	35%
Total net position	$ 67,056	$ 71,969	$ 81,632	$ 4,913	7%	$ 9,663	13%

Total assets increased $22,787 in 2023 compared to a decrease of $27,304 in 2022. The primary reason for the increase in 2023 was the $21,624 increase in loans receivable. The primary reason for the decrease in total assets in 2022 was the forgiveness of $32,515 of Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans.

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

Capital assets. In 2023, capital assets decreased by $143. This is compared with a decrease of $191 in 2022, as depreciation continues to outpace asset acquisitions.

Accrued interest receivable. Interest receivable increased $80 in 2023 due primarily to portfolio growth. Accrued interest decreased $340 in 2022 as borrowers returned to regularly scheduled payments following widespread deferrals in 2021 due to the pandemic.

Other assets decreased $212 in 2023 due primarily to a $125 decrease in right-of-use assets and $76 decrease in lease receivable. Other assets increased $90 in 2022 due primarily to a $288 increase in insurance and taxes receivable from borrowers, offset by a $125 decrease in right-of-use assets and $73 decrease in lease receivable.

Total liabilities increased by $13,238 in 2023 due primarily to the deferred revenue associated with the federal State Small Business Credit Initiative ("SSBCI") program and State of Vermont forgivable loan program, which totaled $9,167 and $14,251, respectively, compared with $0 in 2022. This was offset by a reduction in notes payable and commercial paper of $9,485 and $1,000, respectively. Total liabilities decreased $32,104 in 2022 primarily to the decrease of $22,273 in borrowings under the PPP Liquidity Facility as the underlying loans were forgiven. The CoBank line of credit was paid off in full during 2022 in the amount of $7,600, while commercial paper and notes payable were each reduced by $1,000. Other liabilities decreased $23,723 in 2023 due primarily to lease liabilities of $100. Other liabilities increased $268 in 2022 due primarily to lease liabilities of $100.

Deferred inflows of resources decreased by $114 in 2023 due to amortization of the lease liabilities. The deferred inflows of resources decreased in 2022 by $113 due to amortization of the lease liabilities.

Total net position increased by $9,663 in 2023, based on operating income of $207 and $10,065 of non-operating revenue representing grant funding earned from funding loans in the SSBCI program. Net position increased $4,913 in 2022, based on operating income of $2,058 and $2,855 of unrealized gains in the value of limited partnership interests.

Dollar Amounts in Thousands

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 2021 to 2022 and from 2022 to 2023.

Table 2: Revenues, Expenses and Changes in Net Position

	Years Ended June 30			2021 to 2022		2022 to 2023	
Fiscal Years	Restated 2021	2022	2023	Chg $	Chg %	Chg $	Chg %
Operating Revenues							
Cash and investment income	$ 372	$ 416	$ 895	$ 44	12%	$ 479	115%
Net increase in fair value of investments	1,032	(2,056)	(446)	(3,088)	(299)%	1,610	(78)%
Loans receivable interest	11,798	11,099	14,669	(699)	(6)%	3,570	32%
Other revenues	3,680	1,403	1,319	(2,277)	(62)%	(84)	51%
Total operating revenues	16,882	10,862	16,437	(6,020)	(36)%	5,575	120%
Operating Expenses							
Commercial paper and notes payable interest	3,647	3,830	8,990	183	5%	5,160	135%
Provision for (recapture of) loan losses	(547)	(2,212)	92	(1,665)	304%	2,304	(104)%
Provisions for (recapture of) losses on insured loans	(3)	-	14	3	(100)%	14	100%
Staff salaries and benefits	5,723	5,527	5,662	(196)	(3)%	135	2%
Professional fees	177	246	432	69	39%	186	76%
Office and administrative	1,010	1,180	1,146	170	17%	(34)	(3)%
Depreciation	229	233	236	4	2%	3	1%
Total operating expenses	10,236	8,804	16,572	(1,432)	(14)%	7,768	88%
Operating income	6,646	2,058	(135)	(4,588)	(69)%	(2,193)	(107)%
Non-operating revenue (expense)	(28)	2,855	9,799	2,883	(10,296)%	6,944	243%
Change in net position	$ 6,618	$ 4,913	$ 9,664	$ (1,705)	(26)%	$ 4,751	97%

Cash and investment income increased $479 in 2023 with the increase in market interest rates, following an increase of $44 in 2022, which was due primarily to increasing rates at the end of 2022.

Net decrease in fair value of investments was $446 in 2023 due to the impact of rising interest rates on the bond funds held in the portfolio. Fair value decreased $2,056 in 2022, also due to rate movement, and increased $1,032 in 2021, due primarily to gains in the equity portfolio, which was liquidated in 2021, realizing accumulated gains of $2,452.

Loan receivable interest increased by $3,570, or 32%, in 2023 with the effect of higher interest rates through the year. Interest income was down $699, or 6%, in 2022 with the decrease in the core loan portfolio, and effect of lower interest rates through the majority of the year.

Other revenue consists primarily of fees received from borrowers and fees for services to the State of Vermont and others. Income from issuance of tax-exempt bonds was $65 in 2023, compared to $524 and $20 in 2022 and 2021 respectively. In contrast, the Authority earned $0 and $2,296 in fees from originating PPP loans in 2022 and 2021, respectively. VEDA also earned $504 in grant processing fees in 2021 from the State of Vermont associated with distributing CARES Act funds to Vermont businesses and farms.

Interest expense, which includes debt issuance costs, increased $5,160, or 135% in 2023 as rates moved up rapidly during the end of the year. This was offset by the repayment of $10,485 of funding debt. Interest expense was $183, or 5%, higher in 2022 as rates had begun to increase by the end of the year.

Provision for loan losses were $92 in 2023, reflecting growth in the portfolio and the requirement of specific reserves on several loan relationships, following a recapture of $2,212 in 2022. The 2022 recapture was primarily due to the removal of excess reserves allocated during the pandemic, which were not needed due to strong payment performance through 2022. The recapture in 2021 was primarily due to the reduction in overall portfolio balances causing the general reserves to decline, as adjusting factors remained constant through 2021. 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.

Provision for loss on insured loans totaled $14 in 2023. There were no such gains or losses in 2022, and a recapture of $3 occurred in 2021. The gains and losses 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 $135, or 2% in 2023 due to normal cost of living increases. Salary expenses decreased $196 in 2022, or 3%, due to several vacant positions during the year.

Professional fees increased $186 in 2023 due primarily to the legal costs associated with establishing the SSBCI equity program. These costs are reimbursed by the program funding and reflected in other non-operating income.

Office and administrative expenses decreased $34, or 3% in 2023 primarily due to continued cost reduction associated with office space, as many staff continue to work in a hybrid model. 2022 total expenses increased $170 primarily due to an increase of $85 in marketing expense as the function was moved largely to an outside firm during the year.

Dollar Amounts in Thousands

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 4 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 and Related Financing Activities that includes the purchase and the financing of capital assets and related repayments.

Table 3: Cash Flows

	Years Ended June 30			2021 to 2022		2022 to 2023	
Fiscal Years	Restated 2021	2022	2023	Chg $	Chg %	Chg $	Chg %
Provided by principal payments received	$ 61,023	$ 82,306	$ 46,977	$ 21,283	35%	$ (35,329)	(43)%
Provided by interest payments received	11,389	11,461	14,610	72	1%	3,149	27%
Used for principal disbursed on loans	(70,584)	(48,462)	(68,322)	22,122	31%	(19,860)	(41)%
Used for all other operating activities	(2,524)	(6,219)	(5,920)	(3,695)	(146)%	299	5%
Provided by (used for) operating activities	(696)	39,086	(12,655)	39,782	5716%	(51,741)	(132)%
(Used for) provided by non-capital financing activities	7,386	(35,465)	15,426	(42,851)	(580)%	50,891	143%
(Used for) provided by investing activities	6,735	(3,615)	718	(10,350)	(154)%	4,333	120%
(Used for) provided by capital and related financing activities	(1,375)	(42)	(93)	1,333	97%	(51)	(121)%
Net increase (decrease) in cash and cash equivalents	$ 12,050	$ (36)	$ 3,396	$ (12,086)	(100)%	$ 3,432	9,533%

Table 3 shows that in 2023, operations driven by the net increase of the loan portfolio used net operating cash of $(12,655). In 2022, operations driven by the net reduction of the loan portfolio due to PPP forgiveness, provided operating cash of $39,086. In 2023, non-capital financing activities provided $15,426, consisting primarily of federal SSBCI program funding. In 2022, non-capital financing activities used $35,465 of cash with repayment of debt during the period, whereas in 2021 non-capital financing activities used $7,386, due to borrowings supporting loan growth. Investing activities provided $(93) of net cash in 2023 from income on the bond portfolio. Investing activities used net cash of $3,615 in 2022 as excess cash was deployed to purchase higher yielding investments. Investing activities provided net cash of $6,735 in 2021 with the sale of the equity portfolio and related gains. Capital and related financing activities used $(93) and $42 in cash in 2023 and 2022 for capital purchases, respectively, primarily computer equipment and minor building repairs. Capital and related financing activities used cash totaling $1,375 in 2021 due to the accelerated repayment of mortgage debt.

Dollar Amounts in Thousands

Table 4 details the specific and general reserves and the total reserves as a percentage of outstanding loans receivable balances at June 30, 2023, 2022 and 2021.

Table 4: Reserves

					Reserves as a % of Total Loans Receivable		
Total for Years Ended	Total Loans receivable at June 30	Specific Reserves at June 30	General Reserves at June 30	Total Reserves at June 30	Specific	General	Total
2023	$ 276,233	$ 1,732	$ 2,513	$ 4,245	0.63 %	0.91 %	1.54 %
2022	$ 254,609	$ 1,393	$ 2,480	$ 3,873	0.55 %	0.97 %	1.52 %
2021	$ 287,942	$ 1,301	$ 4,275	$ 5,576	0.45 %	1.48 %	1.93 %

The Authority's allowance for loan losses at June 30, 2023 totaled $4,245, or 1.54% of outstanding loans receivable. This compares to an allowance of $3,873, or 1.52%, and $5,576, or 1.93% of outstanding loans receivable at the end of 2022 and 2021, 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).

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. This factor remained in effect at June 30, 2021 as the eventual impact to the portfolio remained uncertain. With strong performance across all portfolios in 2022, VEDA was able to reduce excess reserves to historical levels at June 30, 2022, and maintain these levels through 2023.

Table 5 below shows the ratio of loan loss provisions to average outstanding loans for the past three year and ten-year average loan loss provisions as of June 30, 2023.

	2023	2022	2021	2021-2023	2014-2023
Loan Loss Provision as a % of Average Outstanding Loans	-0.03%	-0.82%	-0.19%	-0.32%	-0.19%

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 when feasible.

Dollar Amounts in Thousands

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”.

2023	Within 3 months	3 Months to 1 Year	1 Year to 5 Years	5 Years to 25 Years	Total
Loans receivable, net of allowance	$ 92,929	$ 14,221	$133,463	$ 35,620	$276,233
Commercial paper	88,000	-	-	-	88,000
Notes payable	14,626	26,376	79,338	7,819	128,159
Other liability - State of Vermont	-	-	-	5,500	5,500
Total funding liabilities	102,626	26,376	79,338	13,319	221,659
Loan & funding liability repricing (gap) excess	$ (9,697)	$ (12,155)	$ 54,125	$ 22,301	$ 54,574

2022	Within 3 months	3 Months to 1 Year	1 Year to 5 Years	5 Years to 25 Years	Total
Loans receivable, net of allowance	132,329	7,773	37,179	73,455	250,736
Commercial paper	89,000	-	-	-	89,000
Notes payable	60,125	19,372	50,330	7,817	137,644
Other liability - State of Vermont	-	-	5,500	-	5,500
Total funding liabilities	149,125	19,372	55,830	7,817	232,144
Loan & funding liability repricing (gap) excess	$ (16,796)	$ (11,599)	$ (18,651)	$ 65,638	$ 18,592

VEDA reports a cumulative one-year negative repricing gap totaling $21,852 and $28,395 at June 30, 2023 and 2022, respectively, indicating that liabilities will reprice faster than loans assuming all other factors remain constant. This excess increases to $32,273 and $47,046 through five years as of June 30, 2023 and 2022, respectively. The primary changes between 2023 and 2022 were:

- The CoBank operating line of credit principal balance was reduced by $7,600, offset by the shift of $20,000 in notes payable from the 1-5 year category to the 3 months to 1 year category as the note moves closer to maturity in February 2023.
- The forgiveness of SBA PPP loans during 2022 reduced Loans Receivable by $32,515 and Funding Liabilities by $22,273 in the 1 to 5 year category.

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 maintained a back-up line of credit with Northfield Savings Bank, FSB until 2022 (Note 6); this back-up facility was not used in 2023 or 2022 and closed as it was not needed.

Dollar Amounts in Thousands

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 (“MO”) pledge provide the Authority with access to capital rates and terms it could not otherwise obtain. At June 30, 2023 and 2022, the Authority had $181,000 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, 2023, 2022 and 2021. The Authority must maintain strong net position levels relative to total assets to enable it to borrow at favorable terms in the capital markets. VEDA’s capital continues to be strong, allowing for continued future growth and support of the Vermont economy.

	Vermont Jobs Fund ("VJF")	Vermont Agricultural Credit Corporation ("VACC")	Vermont Small Business Development Corporation ("VSBDC")	Vermont 504 Corporation ("VT504")	VEDA
2023	27%	14%	82%	49%	25%
2022	27%	13%	22%	33%	23%
2021	27%	13%	18%	10%	20%

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

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statement of Net Position as of June 30, 2023

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp	Vermont 504 Corporation	VEDA Combined Total
Assets					
Current assets					
Cash and cash equivalents					
Unrestricted	$ 1,942	$ 550	$ 2,162	$ 1,771	$ 6,425
Restricted	17,164	250	-	45	17,459
Total cash and cash equivalents	19,106	800	2,162	1,816	23,884
Loans receivable	21,779	5,450	2,477	881	30,587
Accrued interest receivable	603	215	72	16	906
Lease receivable	101	-	-	-	101
Other assets	695	254	-	-	949
Total current assets	42,284	6,719	4,711	2,713	56,427
Investments					
Unrestricted	7,007	-	-	-	7,007
Restricted	19,557	907	-	-	20,464
Total investments	26,564	907	-	-	27,471
Loans receivable, less current portion	139,255	71,206	27,176	8,009	245,646
Less allowance for loan losses	(2,082)	(1,235)	(775)	(153)	(4,245)
Loans receivable, less current portion, net of allowance for loan losses	137,173	69,971	26,401	7,856	241,401
Lease receivable, less current portion, net of amortization	1,166	-	-	-	1,166
Right of use assets, net of amortization	1,118	-	-	-	1,118
Capital assets, net of accumulated depreciation	4,422	-	-	-	4,422
Total assets	$ 212,727	$ 77,597	$ 31,112	$ 10,569	$ 332,005
Liabilities					
Current liabilities					
Commercial paper	$ 88,000	$ -	$ -	$ -	$ 88,000
Notes payable	40,500	-	347	154	41,001
Escrow and reserve accounts	775	250	-	-	1,025
Deferred revenue - federal program	23,418	-	-	-	23,418
Accounts payable and accrued expenses	1,186	80	-	-	1,266
Interfund accounts (receivable) payable	(1,662)	1,307	334	21	-
Accrued interest payable	615	-	30	22	667
Lease liabilities	99	-	-	-	99
Total current liabilities	152,931	1,637	711	197	155,476
Notes payable, less current portion	77,000	-	5,664	4,494	87,158
Interfund notes (receivable) payable	(82,068)	65,337	16,065	666	-
Lease liabilities, less current portion	1,092	-	-	-	1,092
Other liability - State of Vermont	5,500	-	-	-	5,500
Total liabilities	$ 154,455	$ 66,974	$ 22,440	$ 5,357	$ 249,226
Deferred inflows of resources					
Leases	$ 1,147	$ -	$ -	$ -	$ 1,147
Restricted net position					
For collateral reserves	$ 16,739	$ -	$ -	$ -	$ 16,739
For Vermont seed capital fund	5,921	-	-	-	5,921
For SSBCI equity investments	1,095	-	-	-	1,095
For CP repayment accounts	436	-	-	-	436
For investment in Cobank	-	907	-	-	907
Community Advantage cash reserve	-	-	-	45	45
For VEDA capital access program	222	-	-	-	222
Total restricted net position	24,413	907	-	45	25,365
Net investment in capital assets	4,422	-	-	-	4,422
Unrestricted net position	28,290	9,716	8,672	5,167	51,845
Total net position	$ 57,125	$ 10,623	$ 8,672	$ 5,212	$ 81,632

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statement of Net Position as of June 30, 2022

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp	Vermont 504 Corporation	VEDA Combined Total
Assets					
Current assets					
Cash and cash equivalents					
Unrestricted	$ 2,560	$ 4,616	$ 3,640	$ 2,793	$ 13,609
Restricted	6,585	250	-	44	6,879
Total cash and cash equivalents	9,145	4,866	3,640	2,837	20,488
Loans receivable	19,512	7,340	2,159	1,738	30,749
Accrued interest receivable	502	190	70	64	826
Lease receivable	76	-	-	-	76
Other assets	726	234	-	-	960
Total current assets	29,961	12,630	5,869	4,639	53,099
Investments					
Unrestricted	1,262	-	-	-	1,262
Restricted	26,889	906	-	-	27,795
Total investments	28,151	906	-	-	29,057
Loans receivable, less current portion	117,129	72,771	23,469	10,491	223,860
Less allowance for loan losses	(1,776)	(1,315)	(633)	(149)	(3,873)
Loans receivable, less current portion, net of allowance for loan losses	115,353	71,456	22,836	10,342	219,987
Lease receivable, less current portion, net of amortization	1,267	-	-	-	1,267
Right of use assets, net of amortization	1,243	-	-	-	1,243
Capital assets, net of accumulated depreciation	4,565	-	-	-	4,565
Total assets	$ 180,540	$ 84,992	$ 28,705	$ 14,981	$ 309,218
Liabilities					
Current liabilities					
Commercial paper	$ 89,000	$ -	$ -	$ -	$ 89,000
Notes payable	59,000	-	344	1,964	61,308
Escrow and reserve accounts	718	250	-	-	968
Accounts payable and accrued expenses	1,161	108	-	-	1,269
Interfund accounts (receivable) payable	(4,992)	1,952	161	2,879	-
Accrued interest payable	262	-	31	18	311
Lease liabilities	104	-	-	-	104
Total current liabilities	145,253	2,310	536	4,861	152,960
Notes payable, less current portion	68,000	-	6,005	2,331	76,336
Interfund notes (receivable) payable	(90,146)	71,337	15,965	2,844	-
Lease liabilities, less current portion	1,192	-	-	-	1,192
Other liability - State of Vermont	5,500	-	-	-	5,500
Total liabilities	$ 129,799	$ 73,647	$ 22,506	$ 10,036	$ 235,988
Deferred inflows of resources					
Leases	$ (1,261)	$ -	$ -	$ -	$ (1,261)
Restricted net position					
For collateral reserves	$ 21,251	$ -	$ -	$ -	$ 21,251
For Vermont seed capital fund	6,183	-	-	-	6,183
For CP repayment accounts	421	-	-	-	421
For investment in Cobank	-	906	-	-	906
Community Advantage cash reserve	-	-	-	44	44
For VEDA Capital Access Program	237	-	-	-	237
For Escrows, Reserves and Deposits	14	-	-	-	14
Total restricted net position	28,106	906	-	44	29,056
Net investment in capital assets	4,565	-	-	-	4,565
Unrestricted net position	16,809	10,439	6,199	4,901	38,348
Total net position	$ 49,480	$ 11,345	$ 6,199	$ 4,945	$ 71,969

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statement Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

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	$ 817	$ 14	$ 36	$ 28	$ 895
Net decrease in fair value investments	(446)	-	-	-	(446)
Loans receivable interest	8,332	4,387	1,507	443	14,669
Other revenues	1,088	49	88	93	1,318
Total operating revenues	9,791	4,450	1,631	564	16,436
Operating expenses					
Commercial paper and notes payable interest	8,808	73	62	47	8,990
Interfund interest (revenue) expense	(4,057)	3,207	772	78	-
Provision of recapture of loan losses	40	(85)	130	7	92
Provision of recapture of loan losses on insured loans	14	-	-	-	14
Staff salaries, expenses, and benefits	4,371	1,291	-	-	5,662
Professional fees	422	10	-	-	432
Office and administrative expenses	1,146	-	-	-	1,146
Interfund (revenue) expense allocation	(2,109)	1,344	552	213	-
Depreciation on capital assets	236	-	-	-	236
Total operating expenses	8,871	5,840	1,516	345	16,572
Operating income (loss)	920	(1,390)	115	219	(136)
Non-operating revenue (expense)					
Federal grant revenue earned	6,936	757	2,410	-	10,103
Capital access program rebate expense	(39)	-	-	-	(39)
Interfund non-operating (expense) revenue	(172)	(89)	(52)	48	(265)
Total non-operating revenue	6,725	668	2,358	48	9,799
Net increase (decrease) in net position	7,645	(722)	2,473	267	9,663
Net position at beginning of year	49,480	11,345	6,199	4,945	71,969
Net position at end of year	$ 57,125	$ 10,623	$ 8,672	$ 5,212	$ 81,632

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statement Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

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	$ 409	$ 1	$ 2	$ 4	$ 416
Net decrease in fair value investments	(2,056)	-	-	-	(2,056)
Loans receivable interest	5,249	4,107	1,231	512	11,099
Other revenues	1,171	61	61	112	1,405
Total operating revenues	4,773	4,169	1,294	628	10,864
Operating expenses					
Commercial paper and notes payable interest	3,614	87	65	64	3,830
Interfund interest (revenue) expense	(2,017)	1,580	377	60	-
Recapture of loan losses	(986)	(699)	(486)	(39)	(2,210)
Staff salaries, expenses, and benefits	4,284	1,243	-	-	5,527
Professional fees	192	48	1	5	246
Office and administrative expenses	1,180	-	-	-	1,180
Interfund (revenue) expense allocation	(2,461)	1,474	503	484	-
Depreciation on capital assets	233	-	-	-	233
Total operating expenses	4,039	3,733	460	574	8,806
Operating income	734	436	834	54	2,058
Non-operating revenue (expense)					
Non-operating revenue - seed capital fund	2	-	-	-	2
Capital access program rebate expense	(12)	-	-	-	(12)
Net increase in fair value of non-operating investments	2,865	-	-	-	2,865
Interfund non-operating (expense) revenue	(307)	57	200	50	-
Total non-operating revenue	2,548	57	200	50	2,855
Net increase in net position	3,282	493	1,034	104	4,913
Net position at beginning of year	46,198	10,852	5,165	4,841	67,056
Net position at end of year	$ 49,480	$ 11,345	$ 6,199	$ 4,945	$ 71,969

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2023

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp	Vermont 504 Corporation	VEDA Combined Total
Cash flows from operating activities					
Interest received on loans receivable	$ 8,259	$ 4,356	$ 1,504	$ 491	$ 14,610
Other revenues received	1,088	49	88	93	1,318
Operating expenses paid other than interest	(517)	(3,332)	(376)	(3,071)	(7,296)
Receipts from VCAP participating banks	58	-	-	-	58
Principal received on loans receivable	24,601	13,096	4,200	5,080	46,977
Principal disbursed on loans receivable	(48,727)	(9,638)	(8,214)	(1,743)	(68,322)
Net cash (used for) provided by operating activities	(15,238)	4,531	(2,798)	850	(12,655)
Cash flows from non-capital financing activities					
Commercial paper and notes payable interest paid	(8,454)	(72)	(63)	(43)	(8,632)
Interfund notes payable interest received (paid)	4,057	(3,207)	(772)	(78)	-
Federal grant funds received	31,417	757	2,410	-	34,584
Interfund non-operating (expense) revenue	93	(89)	(52)	48	-
Non-operating revenue - seed capital fund	-	-	-	-	-
Proceeds from issuance of commercial paper	617,250	-	-	-	617,250
Payments on maturing commercial paper	(618,250)	-	-	-	(618,250)
Proceeds (disbursed) received on interfund notes payable	(3,200)	2,500	600	100	-
Payments received (paid) on interfund notes payable	11,278	(8,500)	(500)	(2,278)	-
Proceeds from notes payable	55,000	4,500	5	506	60,011
Payments on notes payable	(64,500)	(4,500)	(343)	(153)	(69,496)
Capital access program rebates paid	(27)	-	-	-	(27)
Payments to banks for losses on insured loans, net	(14)	-	-	-	(14)
Net cash provided by (used for) non-capital financing activities	24,650	(8,611)	1,285	(1,898)	15,426
Cash flows from investing activities					
Redemption of sale of investments	882	-	-	-	882
Purchase of investments	(1,095)	-	-	-	(1,095)
Revenue received on cash investments	855	14	35	27	931
Net cash provided by investing activities	642	14	35	27	718
Cash flows from capital and related financing activities					
Purchase of capital assets	(93)	-	-	-	(93)
Net increase (decrease) in cash and cash equivalents	9,961	(4,066)	(1,478)	(1,021)	3,396
Cash and cash equivalents at beginning of year	9,145	4,866	3,640	2,837	20,488
Cash and cash equivalents at end of year	$ 19,106	$ 800	$ 2,162	$ 1,816	$ 23,884

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2023

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp	Vermont 504 Corporation	VEDA Combined Total
Reconciliation of operating income to net cash (used for) provided by operating activities					
Operating income (loss)	$ 920	$ (1,390)	$ 115	$ 219	$ (136)
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities					
Interest revenue on investment activities	(817)	(14)	(36)	(28)	(895)
Net decrease in fair value of investments	446	-	-	-	446
Interest expense	8,808	73	62	47	8,990
Interest (revenue) expense for interfund activities	(4,057)	3,207	772	78	-
Provision of recapture of loan losses	40	(85)	130	7	92
Provision of recapture of loan losses on insured loans	14	-	-	-	14
Depreciation expense	236	-	-	-	236
Change in assets and liabilities	-	-	-	-	-
Loans receivable	(24,393)	3,455	(4,026)	3,340	(21,624)
Allowance for loan losses	266	5	12	(4)	279
Accrued interest receivable	(144)	(25)	(3)	48	(124)
Other assets	31	(21)	-	-	10
Escrow and reserve accounts	57	-	-	-	57
Account payable and accrued expenses	25	(28)	3	-	-
Interfund accounts payable (receivable)	3,330	(646)	173	(2,857)	-
Net cash (used for) provided by operating activities	$ (15,238)	$ 4,531	$ (2,798)	$ 850	$ (12,655)

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2022

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp	Vermont 504 Corporation	VEDA Combined Total
Cash flows from operating activities					
Interest received on loans receivable	$ 5,350	$ 4,160	$ 1,337	$ 614	$ 11,461
Other revenues received	1,171	61	61	110	1,403
Operating expenses paid other than interest	(4,078)	(4,260)	(415)	1,100	(7,653)
Receipts from VCAP participating banks	31	-	-	-	31
Principal received on loans receivable	23,660	16,019	7,684	34,943	82,306
Principal disbursed on loans receivable	(31,205)	(9,057)	(5,815)	(2,385)	(48,462)
Net cash (used for) provided by operating activities	(5,071)	6,923	2,852	34,382	39,086
Cash flows from non-capital financing activities					
Commercial paper and notes payable interest paid	(3,372)	(106)	(64)	(88)	(3,630)
Interfund notes payable interest received (paid)	2,017	(1,580)	(377)	(60)	-
Interfund non-operating (expense) revenue	(307)	57	200	50	-
Non-operating revenue - seed capital fund	2	-	-	-	2
Proceeds from issuance of commercial paper	622,500	-	-	-	622,500
Payments on maturing commercial paper	(623,500)	-	-	-	(623,500)
Proceeds (disbursed) received on interfund notes payable	(9,330)	8,500	350	480	-
Payments received (paid) on interfund notes payable	19,330	(1,900)	(2,000)	(15,430)	-
Proceeds from notes payable	-	2,706	251	205	3,162
Payments on notes payable	(1,000)	(10,306)	(300)	(22,393)	(33,999)
Net cash provided by (used for) non-capital financing activities	6,340	(2,629)	(1,940)	(37,236)	(35,465)
Cash flows from investing activities					
Purchase of investments	(4,011)	-	-	-	(4,011)
Revenue received on cash investments	389	1	2	4	396
Net cash (used for) provided by investing activities	(3,622)	1	2	4	(3,615)
Cash flows from capital and related financing activities					
Purchase of capital assets	(42)	-	-	-	(42)
Net (decrease) increase in cash and cash equivalents	(2,395)	4,295	914	(2,850)	(36)
Cash and cash equivalents at beginning of year	11,540	571	2,726	5,687	20,524
Cash and cash equivalents at end of year	$ 9,145	$ 4,866	$ 3,640	$ 2,837	$ 20,488

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2022

Dollar Amounts in Thousands	Vermont Jobs Fund	Vermont Agricultural Credit Corp.	Vermont Small Business Develop. Corp	Vermont 504 Corporation	VEDA Combined Total
Reconciliation of operating income to net cash (used for) provided by operating activities					
Operating income	$ 734	$ 436	$ 834	$ 54	$ 2,058
Adjustments to reconcile operating income to net cash (used for) provided by operating activities:					
Interest revenue on investment activities	(409)	(1)	(2)	(4)	(416)
Net decrease in fair value of investments	2,056	-	-	-	2,056
Interest expense	3,654	89	65	64	3,872
Interest (revenue) expense for interfund activities	(2,017)	1,580	377	60	-
Recapture of loan losses	(986)	(699)	(486)	(41)	(2,212)
Depreciation expense	233	-	-	-	233
Change in assets and liabilities					
Loans receivable	(7,837)	6,936	1,679	32,555	33,333
Allowance for loan losses	290	26	190	3	509
Accrued interest receivable	101	51	106	103	361
Other assets	(118)	(210)	-	-	(328)
Escrow and reserve accounts	33	-	-	-	33
Account payable and accrued expenses	(415)	1	1	-	(413)
Interfund accounts payable (receivable)	(390)	(1,286)	88	1,588	-
Net cash (used for) provided by operating activities	$ (5,071)	$ 6,923	$ 2,852	$ 34,382	$ 39,086

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statements of Fiduciary Net Position
As of June 30, 2023 and 2022

Dollar Amounts in Thousands	2023 Custodial Funds	2022 Custodial Funds
Current assets		
Restricted cash and cash equivalents	$ 25,059	$ 21,171
Interest receivable	101	124
Other receivables	51	95
Loans receivables	1,127	2,925
Total current assets	26,338	24,315
Loans receivable, net current portion	17,120	19,416
Total assets	$ 43,458	$ 43,731
Liabilities		
Due to VEDA for administration fees	$ 59	$ 102
Total liabilities	$ 59	$ 102
Restricted fiduciary net position		
Drinking Water State Revolving Fund	$ 36,445	$ 36,333
Clean Energy Development Fund	998	1,022
State Infrastructure Bank	4,023	3,988
Brownfields Revolving Loan Fund	1,932	1,913
Windham County Economic Development Fund	-	373
Total fiduciary net position restricted for other governments	$ 43,398	$ 43,629

The accompanying notes are an integral part of these financial statements.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the State of Vermont)
Statements of Changes in Fiduciary Net Position
As of June 30, 2023 and 2022

Dollar Amounts in Thousands	2023 Custodial Funds	2022 Custodial Funds
Additions		
Contributions for State of Vermont	$ 84	$ 186
Investment earnings	308	16
Interest income on notes receivable	345	414
Loan fees	-	21
Total additions	737	637
Deductions		
Administrative expense	115	170
Grant funds disbursed	427	833
Other deductions	-	3,368
Funds returned to State of Vermont	426	1,003
Total deductions	968	5,374
Net decrease in fiduciary net position	(231)	(4,737)
Fiduciary net position at beginning of year	43,629	48,366
Fiduciary net position at end of year	$ 43,398	$ 43,629

The accompanying notes are an integral part of these 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 Vermont 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 $819,791 of these bonds; $163,006 and $189,736 remain outstanding at June 30, 2023 and 2022, respectively. The bonds are not general obligations of the State of Vermont or the Authority and do not constitute indebtedness or a charge against the general credit or taxing power of the State of Vermont or the Authority. In 2023, the Authority received $65 in fees for industrial development bond issuance, compared with a more active issuance environment, and fees totaling $524 in 2022.

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.

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*.

Vermont Agricultural Credit Corporation ("VACC")
The Authority operates its agricultural loan programs through the VACC. The VACC derives its revenues primarily from interest on lending operations. The purpose of the VACC is to aid family farmers and agricultural facility operators by making available direct loans at favorable rates and terms.

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

Vermont 504 Corporation (“VT504”)
The VT504 is eligible for participation in certain federal programs because of its status as a Certified Development Corporation, or “CDC”. The federal programs are operated under the VT504 CDC Fund ("VT504-CDC”). The VT504 also participates in the USDA IRP program described above. This program is operated under the VT504-IRP Fund (“VT504-IRP”).

The VT504-CDC operates two Small Business Administration (“SBA”) loan programs: the SBA 504 loan program and the SBA Community Advantage program (“CA”). SBA 504 loans are made for the acquisition of land, buildings, machinery or equipment and are collateralized by property, plant and equipment or other assets (Note 7). The CA program makes loans up to $250,000 and are guaranteed by the full faith and credit of the federal government. The VT504 CDC Fund derives its revenues primarily from fees for originating and servicing SBA 504 loans and interest and fees on CA loans. In 2020 and 2021, 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.

(c) Custodial Funds
The Authority provides underwriting, servicing, fiduciary and accounting services for lending programs operated by VEDA at the direction of various State agencies. The Custodial Funds include 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 Custodial Fund programs.

(d) Discretely Presented Component Units
U.S. generally accepted accounting principles (U.S. GAAP) 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 discretely presented 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 in accordance with U.S. GAAP.

(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). The VJF also holds restricted cash for the cumulative principal payments received on a certain loan, which are payable to the State of Vermont at maturity. Additional sources of VJF restricted cash are funds specific to loan loss reserves in excess of historical averages in the Broadband Lending Program, and tenants' security deposits for office space leased to unrelated third parties by the VJF. VT504 holds restricted cash reserves based on a percentage of loans outstanding as required by SBA for the Community Advantage loan program. VACC holds restricted cash allocated for loan loss reserves in excess of historical averages in a specific Farm Operating Loan Program ("FOLP").

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

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

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

(g) Nonaccrual Loans
Loans 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.

Dollar Amounts in Thousands

(h) Capital Assets
VEDA's capital assets include real estate ("RE"), Leasehold Improvements ("LHI") and furniture, fixtures & equipment ("FF&E"). RE includes land and two buildings. LHI are capital improvements made to property leased from a third party (Note 8). FF&E includes office furniture and fixtures and office equipment including computer hardware and software where the cost exceeds one thousand dollars. All assets are stated at cost net of accumulated depreciation. The 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, 2023 and 2022:

2023	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real estate - Montpelier	$ 6,173	$ 33	$ -	$ -	$ 6,206
Leasehold Improvements - Burlington	201	-	-	-	201
Accumulated depreciation - RE & LHI	(2,408)	-	(195)	-	(2,603)
Furniture, fixtures and equipment	1,688	60	-	-	1,748
Accumulated depreciation - FF&E	(1,589)	-	(41)	-	(1,630)
Developed land - Montpelier	500	-	-	-	500
Total capital assets, net	$ 4,565	$ 93	$ (236)	$ -	$ 4,422

2022	Beginning Capital Assets	Add New Capital Assets	Less Current Year Depreciation	Less Assets Retired	Ending Capital Assets
Real estate - Montpelier	$ 6,173	$ -	$ -	$ -	$ 6,173
Leasehold Improvements - Burlington	201	-	-	-	201
Accumulated depreciation - RE & LHI	(2,217)	-	(191)	-	(2,408)
Furniture, fixtures and equipment	1,646	42	-	-	1,688
Accumulated depreciation - FF&E	(1,547)	-	(42)	-	(1,589)
Developed land - Montpelier	500	-	-	-	500
Total capital assets, net	$ 4,756	$ 42	$ (233)	$ -	$ 4,565

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

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

(k) Allocation of Expenses

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

(l) Interfund Non-Operating Transfers

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

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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

As a result of the COVID-19 pandemic, beginning in March 2020, the Authority moved to a remote working environment and has continued operating primarily in this capacity through June 30, 2023. The Authority has seen no adverse effects on operations from this transition and plans to continue in a hybrid environment going forward with employees both remote and in-office. To date, the loan portfolios have performed very well with no significant deterioration in credit quality; however much of this is due to federal support, and uncertainty remains surrounding the eventual emergence from the pandemic and long-term impact on economic conditions.

(o) Adoption of New Accounting Pronouncements

During the fiscal years ended June 30, 2023 and 2022, the Authority adopted the following new accounting standards issued by the GASB:

Dollar Amounts in Thousands

GASB Statement No. 87, *Leases*.
In June 2017, the GASB issued Statement No. 87, *Leases*. This statement was originally effective for financial statements for periods beginning after December 15, 2019 and was extended by 18 months to be effective for reporting periods beginning after June 15, 2021. The Authority adopted this statement during the year ended June 30, 2022, with a restatement of the June 30, 2021 financial statements. The impact of the adoption of the new accounting standard as of the beginning of the year ended June 30, 2021 was as follows:

Balance Sheet - Year Beginning July 2021	
Current portion lease receivable	$ 72
Long term portion lease receivable	1,416
Right-of-Use assets	979
Total assets adjustment	2,467
Current portion lease liabilities	61
Long term lease liabilities	918
Total liabilities adjustment	979
Deferred inflows of resources	1,488
Total deferred inflows of resources adjustment	1,488
Total liabilities and net assets	$ -

During the year ended June 30, 2023, the Authority adopted new accounting guidance, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The adoption of the statement did not have a material impact of the financial statements of Authority.

During the year ended June 30, 2023, the Authority adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The adoption of the statement did not have a material impact of the financial statements of Authority.

During the year ended June 30, 2023, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. The adoption of the statement did not have a material impact of the financial statements of the Authority.

(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 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, 2023 and 2022 were $4,637 and $3,997, 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 $4,201 and $3,752 at June 30, 2023 and 2022, respectively, 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 Custodial Funds totaling $25,059 and $21,171 at June 30, 2023 and 2022, 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 table below:

2023:	VJF	VACC	VSBDC	VT504	VEDA Total	Custodial Funds
Collateralized deposit accounts	$ 14,469	$ 800	$ 2,162	$ 1,815	$ 19,246	$ 25,059
Money market accounts	4,636	-	-	-	4,636	-
Total cash and cash equivalents	$ 19,105	$ 800	$ 2,162	$ 1,815	$ 23,882	$ 25,059

2022:	VJF	VACC	VSBDC	VT504	VEDA Total	Custodial Funds
Collateralized deposit accounts	$ 5,148	$ 4,866	$ 3,640	$ 2,837	$ 16,491	$ 21,172
Money market accounts	3,997	-	-	-	3,997	-
Total cash and cash equivalents	$ 9,145	$ 4,866	$ 3,640	$ 2,837	$ 20,488	$ 21,172

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.

U.S. Treasury Securities
The Authority invests in short to medium term US Treasury Bonds that are Level 1 investments.

Cobank, ACB Stock
As part of its borrowing relationship with Cobank, ACB (Note 6), the VACC is required to own Cobank, ACB stock in amounts relative to the VACC's outstanding debt with Cobank, ACB, adjusted annually. The stock is held by Cobank, ACB in the name of the VACC and is considered a Level 3 investment as it is valued using unobservable inputs. At June 30, 2023 and 2022, the VACC owned $907 and $906 of CoBank, ACB 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, 2023 and 2022 was $0. There are no unfunded commitments related to VCP.

The Authority will be reimbursed by VCP as General Partner pays ongoing expenses as needed. As of June 30, 2023 and 2022, the Authority had expended $530 and $518, 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 2020, the Authority received State funds for investment in VSCF totaling $4,178. In 2022, the Authority received $1 from the State representing repayment of a loan through the Champlain Bridge Fund. There were no such funds received in 2023. 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, 2023 and 2022 was $5,922 and $6,183, respectively. The decrease in net asset value is due to a downward revision to the value of one portfolio company during the year. There are no unfunded commitments related to VSCF.

Dollar Amounts in Thousands

All investments as of June 30, 2023 and 2022 are shown in the chart below:

Fair Value Hierarchy	Investment By Type or By Issuer	Weighted Average Term(yrs)	At June 30, 2023 Cost Basis	At June 30, 2023 Fair Value ("FV")	At June 30, 2022 Cost Basis	At June 30, 2022 Fair Value ("FV")
Level 1:	Bond Market Index Fund	9.00	$ 9,583	$ 8,494	$ 9,583	$ 8,813
Level 1:	Corporate Bond Index Fund	3.00	9,645	9,116	9,645	9,202
Level 1:	US Treasury Bonds	1.25	2,006	1,937	3,983	3,953
Level 3:	CoBank, ACB Stock	n/a	907	907	906	906
Excluded	Vermont Seed Capital Fund, LP	n/a	4,178	5,922	4,178	6,183
Excluded	FreshTracks Green Mountain Fund	n/a	1,095	1,095	-	-
Excluded	Vermont Capital Partners, LP	n/a	2,000	-	2,000	-
Total Investments			$ 29,414	$ 27,471	$ 30,295	$ 29,057

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 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 Asset Liability Management Committee has selected a diversification mix for its Level 1 marketable securities of approximately 80% in bond mutual funds and US Treasury investments with an average duration of less than five years and up to 20% in an ETF indexed to the Standard and Poor's 500 stock index.

4) Loans Receivable

The outstanding balance of loans receivable by major program group as of June 30, 2023 and 2022, are detailed in the tables below.

In addition to loans receivable shown above, there were $18,247 and $22,341 of Custodial Fund loans outstanding at June 30, 2023 and 2022, respectively. These loans are represented on the *Statement of Fiduciary Net Position.*

Nonaccrual Loans
The outstanding balance of nonaccrual loans at June 30, 2023 and 2022 was $12,577 and $10,463, respectively. The allowance for loan losses specific to nonaccrual loans totaled $1,732 and $1,393 at June 30, 2023 and 2022, respectively. Total interest collected on nonaccrual loans in the years ended 2023 and 2022 was $1,899 and $510 respectively. Loans receivable by major program group as of June 30, 2023 and 2022 are shown in the chart below:

2023:	VJF	VACC	VSBDC	VT504	VEDA Total	As a % of Total
Loans to development corporations	$ 20,803	$ -	$ -	$ -	$ 20,803	8%
Direct loans to businesses	132,396	-	-	-	132,396	48%
Agricultural loans	6,848	76,656	-	-	83,504	30%
Small business loans	987	-	29,653	8,890	39,530	14%
Total loans receivable	$161,034	$ 76,656	$ 29,653	$ 8,890	$ 276,233	100%

2022:	VJF	VACC	VSBDC	VT504	VEDA Total	As a % of Total
Loans to development corporations	$ 22,407	$ -	$ -	$ -	$ 22,407	9%
Direct loans to businesses	103,941	-	-	-	103,941	40%
Agricultural loans	8,494	80,111	-	-	88,605	35%
Small business loans	1,799	-	25,628	12,229	39,656	16%
Total loans receivable	$136,641	$ 80,111	$ 25,628	$ 12,229	$ 254,609	100%

Dollar Amounts in Thousands

Allowance for Loan Losses

Changes in the allowance for loan losses ("reserves") result from loss provisions charged to or recovered from operations; loans receivable that are "written-off" and charged to the allowance; and recoveries added to the allowance (collection of loans receivable that were previously written-off). The Authority performs a substantive review of the allowances on a quarterly basis.

Management establishes "Specific Reserves" for loans receivable where a loss is probable and establishes non-specific (i.e. "general") allowances for unidentified future losses. General reserves are based on a review of historical loss experience on the various loan portfolios combined with management's judgment of how those historical trends might relate to future loss experience.

The table below details the changes in the allowance for loan losses for 2023 and 2022:

2023:	Beginning 2023 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2023 Allowance
VJF	$ 1,776	$ 57	$ -	$ 249	$ 2,082
VACC	1,315	(85)	-	5	1,235
VSBDC	633	130	-	12	775
VT504	149	7	(4)	1	153
VEDA total	$ 3,873	$ 109	$ (4)	$ 267	$ 4,245

2022:	Beginning 2022 Allowance	Add (deduct) Loan Loss Provisions	Less Loan Write-offs	Add Loan Recoveries	Ending 2022 Allowance
VJF	$ 2,472	$ (986)	$ -	$ 291	$ 1,776
VACC	1,988	(699)	-	26	1,315
VSBDC	929	(486)	(52)	242	633
VT504	187	(41)	-	3	149
VEDA total	$ 5,576	$ (2,212)	$ (52)	$ 562	$ 3,873

Loans Receivable Guaranteed by Federal Government

The Authority has a portion of loans receivable guaranteed the federal government. The table below details the federally guaranteed balances and the range and average guarantee percentage.

	VEDA Fund	At June 30 2022	At June 30 2023	Average Guarantee 2022	Average Guarantee 2023	Guarantee Range
USDA Department of Rural Development	VJF	$ 6,092	$ 5,832	77%	77%	67% - 80%
USDA Farm Service Agency, net of sold	VACC	33,806	29,775	91%	91%	80% - 95%
Small Business Administration	VT504	3,024	2,727	86%	86%	75% - 85%
Small Business Administration PPP	VT504	3,779	3,779	100%	100%	100%
Total guaranteed loan receivable balances		$ 46,701	$ 42,113	89%	89%	66% - 95%

Dollar Amounts in Thousands

Loans Sold to Third Party
No loans were sold in 2023 or 2022. At June 30, 2023, and 2022, the VACC was servicing $409 and $1,059, 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 both 2023 and 2022, no 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 $6,848 and $8,494 at June 30, 2023 and 2022, 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, 2023 and 2022:

	Issue Date	Maturity Date	Interest Rate	Amount Issued
Taxable commercial paper	05/17/2023	6/30/2023	5.20 %	$ 85,000
Tax - exempt commercial paper	05/17/2023	6/30/2023	3.40	3,000
Total commercial paper outstanding				$ 88,000

	Issue Date	Maturity Date	Interest Rate	Amount Issued
Taxable commercial paper	04/11/2022	07/11/2022	1.05 %	$ 85,000
Tax - exempt commercial paper	04/11/2022	07/11/2022	1.00	4,000
Total commercial paper outstanding				$ 89,000

The Authority issued taxable and non-taxable commercial paper in the amounts of $85,000 and $3,000 on August 14, 2023. The stated interest rate for the taxable and non-taxable CP is 5.45% and 3.60%, respectively. Both CP notes matured on September 13, 2023. The authority renewed the commercial paper in the same amounts through October 16, 2023 at 5.40% and 3.62% respectively.

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 25, 2025. The combined letters of credit were paid off in full as of June 30, 2023. The LCs are collateralized with $8,000 in restricted investments (Note 3) and a moral obligation pledge of the State for $82,500 (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 $748 and $722 for 2023 and 2022, respectively.

Dollar Amounts in Thousands

The changes in commercial paper due to new issued or refunded and matured commercial paper during 2023 and 2022 is shown in the charts below:

	2023 Beginning Balance	Total CP Issued	Total CP Matured	2023 Ending Balance
Taxable commercial paper	$ 85,000	$ -	$ -	$ 85,000
Tax - exempt commercial paper	4,000	-	(1,000)	3,000
Total commercial paper	$ 89,000	$ -	$ (1,000)	$ 88,000

	2022 Beginning Balance	Total CP Issued	Total CP Matured	2022 Ending Balance
Taxable commercial paper	$ 85,000	$ 425,000	$ (425,000)	$ 85,000
Tax - exempt commercial paper	5,000	27,500	(28,500)	4,000
Total commercial paper	$ 90,000	$ 452,500	$ (453,500)	$ 89,000

(6) Notes Payable and Interfund Notes Payable

Notes Payable

The Authority's notes payable are described below:

TD Bank, NA ("TDB")

VEDA has four fixed rate notes with an aggregate outstanding balance of $93,000 at June 30, 2023 following the maturity of two variable rate loans totaling $55,000 during the year, which were converted to a fixed rate.

The $93,000 in aggregate TDB notes payable outstanding at June 30, 2023 are collateralized with $8,700 of restricted investments (Note 4) and a moral obligation pledge of the State totaling $92,500. VEDA has a $20,000 revolving line of credit note (the "line") with an outstanding balance of $14,500 and $20,000 at June 30, 2023 and 2022. The line is secured by various loans receivable and calls for monthly interest payments at a floating interest rate, with principal due in full at maturity.

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 calls for quarterly interest payments and principal at maturity. The loan carries a fixed rate of 2.43% through maturity on January 31, 2025.

Dollar Amounts in Thousands

Cobank, ACB ("Cobank")

The VACC has an available revolving line of credit (LOC) agreement with Cobank in the amount of $15,000, with $0 outstanding at June 30, 2023 and 2022. The line has been in place since 1999 and is a primary source liquidity for the Authority and its programs. The total availability was reduced at VACC's request from $40,000 to $15,000 in 2023 due to a lack of usage, coupled with the increased cost of maintaining the excess availability. The LOC includes annual line reviews and a sixty-day termination notice. The line is set to mature on December 1, 2023. The terms of the note call for monthly interest payments at a floating interest rate. Included in VACC interest expense in 2023 and 2022 are fees related to the LOC in the amount of $22 and $77, 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 2023 and 2022:

	2023 Beginning Balance	Add New Debt	Less Debt Paid	2023 Ending Balance	Current Portion
VJF	$ 127,000	$ 55,000	$ 64,500	$ 117,500	$ 40,500
VACC	-	4,500	4,500	-	-
VSBDC	6,349	5	343	6,011	347
VT504	4,295	506	153	4,648	154
Totals for 2023	$ 137,644	$ 60,011	$ 69,496	$ 128,159	$ 41,001

	2022 Beginning Balance	Add New Debt	Less Debt Paid	2022 Ending Balance	Current Portion
VJF	$ 128,000	$ -	$ 1,000	$ 127,000	$ 59,000
VACC	7,600	2,706	10,306	-	-
VSBDC	6,398	251	300	6,349	344
VT504	26,482	205	22,392	4,295	1,964
Totals for 2022	$ 168,480	$ 3,162	$ 33,998	$ 137,644	$ 61,308

Dollar Amounts in Thousands

Details of notes payable as of June 30, 2023 and 2022 are shown in the chart below:

	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2022	Balance 2023
TD Bank, N.A. (variable-rate)	$ 30,000	02/24/17	02/24/23	1.66 %	$ 30,000	$ -
TD Bank, N.A. (fixed-rate)	30,000	02/24/23	02/24/26	5.15 %	-	30,000
TD Bank, N.A. (fixed-rate)	25,000	02/24/17	02/24/27	3.06 %	20,000	16,000
TD Bank, N.A. (variable-rate)	25,000	03/22/17	02/24/23	1.66 %	10,000	-
TD Bank, N.A. (variable-rate)	10,000	02/24/23	02/24/26	5.15 %	-	10,000
TD Bank, N.A. (fixed-rate)	15,000	06/29/18	02/24/23	3.49 %	15,000	-
TD Bank, N.A. (fixed-rate)	15,000	02/24/23	02/24/28	5.32 %	-	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	04/30/24	1.75 %	20,000	14,500
State of Vermont	10,000	02/01/15	01/31/25	2.43 %	10,000	10,000
Total notes payable - VJF	202,000				127,000	117,500
USDA Rural Development IRP-1	1,000	10/04/94	10/03/24	1.00 %	122	80
USDA Rural Development IRP-2	1,000	03/16/95	03/15/25	1.00 %	108	67
USDA Rural Development IRP-3	200	03/09/06	03/08/36	1.00 %	24	12
USDA Rural Development IRP-4	750	11/19/10	11/18/40	1.00 %	548	522
USDA Rural Development IRP-5	750	03/09/06	03/09/36	1.00 %	414	386
USDA Rural Development IRP-6	750	06/27/08	06/27/38	1.00 %	468	441
USDA Rural Development IRP-7	750	10/27/09	10/27/39	1.00 %	522	495
USDA Rural Development IRP-8	1,000	01/10/14	01/10/44	1.00 %	838	804
USDA Rural Development IRP-9	1,000	07/13/16	07/13/46	1.00 %	935	902
USDA Rural Development IRP-10	1,000	12/19/17	12/18/47	1.00 %	968	935
USDA Rural Development IRP-11	250	12/11/18	12/10/48	1.00 %	250	242
USDA Rural Development IRP-12	1,000	05/21/19	05/20/49	1.00 %	1,000	968
USDA Rural Development IRP-13	250	12/20/19	12/20/49	1.00 %	152	152
USDA Rural Development IRP-14	1,000	05/05/22	12/02/49	1.00 %	-	5
Total notes payable - VSBDC	10,700				6,349	6,011
USDA Rural Development IRP-1	750	10/27/09	10/27/39	1.00 %	523	495
USDA Rural Development IRP-2	750	11/19/10	11/18/40	1.00 %	548	522
USDA Rural Development IRP-3	1,000	02/10/14	02/10/44	1.00 %	834	800
USDA Rural Development IRP-4	1,000	04/21/14	04/21/47	1.00 %	935	902
USDA Rural Development IRP-5	1,000	12/11/18	12/10/48	1.00 %	1,000	968
USDA Rural Development IRP-6	1,000	12/02/19	12/02/49	1.00 %	455	961
Total notes payable- VT504	5,500				4,295	4,648
Total notes payable	$ 218,200				$ 137,644	$ 128,159

Dollar Amounts in Thousands

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
2024	$ 40,500	$ -	$ 347	$ 154	$ 1,767	$ -	$ 60	$ 46
2025	14,000	-	323	187	397	-	57	45
2026	44,000	-	261	189	245	-	53	43
2027	4,000	-	264	191	122	-	51	41
2028	15,000	-	267	193	-	-	48	39
2029 - 2033	-	-	1,372	992	-	-	200	167
2034 - 2038	-	-	1,375	1,043	-	-	130	117
2039 - 2043	-	-	1,022	935	-	-	68	65
2044 - 2048	-	-	697	604	-	-	23	25
2049 - 2053	-	-	83	160	-	-	1	3
Total	$ 117,500	$ -	$ 6,011	$ 4,648	$ 2,531	$ -	$ 691	$ 591

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 2022, 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, 2023 and 2022 are shown in the table below:

	Note Amount	Issue Date	Maturity Date	Current Rate	Balance 2022	Balance 2023
VACC	$ 80,000	09/30/16	09/30/25	2.75 %	$ 71,337	$ 65,337
VSBDC Loan Fund	25,000	09/30/16	09/30/25	2.75 %	15,965	16,065
VT504 CDC Fund	5,000	09/30/16	09/30/25	2.75 %	2,844	666
Total Interfund Notes Payable	$ 110,000				$ 90,146	$ 82,068

Detail of the changes in the interfund notes payable or (receivable) outstanding at June 30, 2023 and 2022 are shown in the chart below:

	2022 Beginning Balance	Add New or Payable or (Receivable)	Payments Received or (Paid)	2022 Ending Balance	Add New or Payable or (Receivable)	Payments Received or (Paid)	2023 Ending Balance
VJF	$ (100,146)	$ (9,330)	$ 19,330	$ (90,146)	$ (3,200)	$ 11,278	$ (82,068)
VACC	64,737	8,500	(1,900)	71,337	2,500	(8,500)	65,337
VSBDC	17,615	350	(2,000)	15,965	600	(500)	16,065
VT504	17,794	480	(15,430)	2,844	100	(2,278)	666
VEDA Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Dollar Amounts in Thousands

(7) Small Business Administration Debentures

The VT504 approves the issuance of SBA guaranteed debentures and uses the proceeds to make loans to eligible businesses. The debentures and the loans they fund are not included in the Statement of Net Position of VT504 and accordingly, are not included in these financial statements. The VT504 acts as an originator and servicing agent for the SBA and has no obligation to repay the debentures. The VT504 was servicing $8,760 and $9,414 of loans at June 30, 2023 and 2022, respectively. The VT504 received $78 and $86 in fees related to the SBA 504 Loan Program in 2023 and 2022, respectively.

(8) 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.

Lessor
VEDA has an operating lease to a single not-for-profit tenant for the first two floors in the main building. The lease currently expires in 2023 with option to extend for two additional five-year terms. The 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, 2023, the second building has several single-office tenants under short-term lease agreements of one year or less. The discount rate for leases as of June 30, 2023 and 2022 was 3%. Rental income from both buildings totaled $252 and $250 in 2023 and 2022, respectively, and includes the pro rata share of operating expenses paid by the lessee noted below. The projected lease payments from VEDA tenants based on current maturities are shown in the table below.

Lease Revenue
56-58 East State Street

Fiscal Year	Principal	Interest	Revenue
2024	$ 102	$ 35	$ 137
2025	105	32	137
2026	108	29	137
2027	111	26	137
2028	120	23	143
2029 to 2033	701	49	750
Total	$ 1,247	$ 194	$ 1,441

Dollar Amounts in Thousands

Lessee
The Authority has long term office leases in Burlington and Middlebury, Vermont, and an annually renewable lease for a satellite office located in St. Johnsbury, Vermont. The Authority paid total occupancy expenses, including related common area expenses for the years ended June 30, 2023 and 2022, of $163 and $174, respectively.

Future lease obligations are seen in the table below.

	Contractual Lease Obligations			
	Burlington	Middlebury	St Johnsbury	Total
2024	$ 81	$ 49	$ 4	$ 134
2025	83	49	-	132
2026	84	49	-	133
2027	86	49	-	135
2028	88	53	-	141
2029 to 2033	489	224	-	713
Total	$ 911	$ 473	$ 4	$ 1,388

As mentioned in Note 1 (o) above, GASB Statement No. 87 requires the reporting of lease assets and liabilities based on the net present value of the leases at each year end, with income and expenses based on the implied interest income/expense and corresponding amortization of the lease asset/liability.

Change in liabilities during the year ended June 30, 2023 were as follows

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commerical paper	$ 89,000	$ -	$ (1,000)	$ 88,000	$ 88,000
Notes payble	137,644	-	(11,473)	128,159	41,001
Escrow and reserve accounts	968	-	57	1,025	1,025
Deferred revenue federal program	-	23,418	-	23,418	23,418
Accounts payable and accrued expenses	1,269	-	(3)	1,266	1,266
Accrued interest payable	311	356	-	667	667
Lease liabilities	1,296	-	(105)	1,191	99
Other liability - State of Vermont	5,500	-	-	5,500	-
Long-term liabilities	$ 235,988	$ 23,774	$ (12,524)	$ 249,226	$ 155,476

Dollar Amounts in Thousands

Change in liabilities during the year ended June 30, 2022 were as follows

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commerical paper	$ 90,000	$ -	$ (1,000)	$ 89,000	$ 89,000
Notes payble	168,480	-	(30,836)	137,644	61,308
Escrow and reserve accounts	935	33	-	968	968
Deferred revenue federal program	-	-	-	-	-
Accounts payable and accrued expenses	1,672	-	(403)	1,269	1,269
Accrued interest payable	108	203	-	311	311
Lease liabilities	-	1,296	-	1,296	104
Other liability - State of Vermont	5,500	-	-	5,500	-
Long-term liabilities	$ 261,195	$ 1,532	$ (32,239)	$ 235,988	$ 152,960

(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 postemployment 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 table below:

	2021	2022	2023
Contributions to Simplified Employer Plan ("SEP")	$ 401	$ 383	$ 373
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, 2023 and 2022, management was not aware of any such disallowance.

Dollar Amounts in Thousands

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

(11) Loan Commitments Outstanding

At June 30, 2023, the Authority had commitments for new loans and undisbursed amounts on existing loans. The amounts are expected to be disbursed in 2024 and are detailed in the table below:

	VJF	VACC	VSBDC	VT504	VEDA Total
Loan receivable commitments	$17,824	$ 3,716	$ 367	$ -	$21,907
Undisbursed loans receivable	8,328	4,121	1,307	66	13,822
Total Outstanding Commitments	$26,152	$ 7,837	$ 1,674	$ 66	$35,729

(12) Relationships with the State of Vermont

State Small Business Credit Initiative
VEDA continues to act as the implementing entity for the state of Vermont's participation in the State Small Business Credit Initiative ("SSBCI"), legislated as part of the 2021 American Rescue Plan Act ("ARPA") which will provide up to $58 million of federal funding allocated in three tranches over the coming 10 years. 50% of program dollars will be used for lending purposes, with the remaining 50% allocated between four venture capital firms for investment in Vermont businesses. The capital provided for the lending program will remain with VEDA in perpetuity to support ongoing lending programs, while the equity program capital will continue to be dedicated to investment in small businesses, with management contracted to qualified firms.

VEDA has reached the 80% level of tranche 1 utilization necessary to request the second tranche, and remains in the application review process, with expectation that funds will be available in the second quarter of fiscal 2024.

State Local Fiscal Recovery Funds
During 2023, VEDA was appropriated $19,000 of State Local Fiscal Recover Funds ("SLFRF") under ARPA that was passed through the State. The grant funds were provided to make loans to businesses that meet the eligibility criteria of the program. As June 30, 2023, VEDA had expended $14,144 of grant funds in the form of loans and other allowable administrative costs. The grant revenues are recorded within non-operating revenue in the statement of revenue, expenses and changes in net position. The remaining $4,856 of grant funds are to be expended during fiscal year 2024 and are recorded with deferred revenue – federal program in the *Statement of Net Position*.

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 2023 and 2022, there was $181,000 of MO authorized in State statute. Of the amount authorized, $175,000 was pledged and outstanding at June 30, 2023 and 2022, 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, 2023 and 2022 was $1,855 and $1,636, 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."

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 FOLP. To date, no losses have been incurred under these programs, and no further appropriations received. 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 *Statement of Net Position* as restricted cash with a corresponding contingent liability.

Custodial 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 the programs in the Authority's name. These assets are recorded on the *Statement* of *Fiduciary Net Position* and *Statement of Changes in Fiduciary Net Position*. The Custodial 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 $72 and $89 in fees in 2023 and 2022, respectively.

Dollar Amounts in Thousands

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 $12 and $14 in fees for services in 2023 and 2022, 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 $22 and $23 in fees for services in 2023 and 2022, 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 $10 and $12 in fees for services in 2023 and 2022, respectively.

Windham County Economic Development Program ("WCEDP")
The Authority provides services to the 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 $32 in fees for services in 2022. There were no fees earned in 2023. Effective June 30, 2022, the program assets were transferred to the Brattleboro Development Credit Corporation, with the exception of one loan that continued to be serviced by the Authority. As of June 30, 2023, the Authority no longer services any loans under this program.

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 $32 and $59 in 2023 and 2022, respectively. The table below shows the cash and loans receivable at June 30, 2023 and 2022 for the respective State agencies:

	DWF & CWSLRF	CEDF	SIB	BRF	WCEDF	Total
Cash and cash equivalents	$ 21,866	$ 69	$ 1,840	$ 1,284	$ -	$ 25,059
Loans receivable	14,569	927	2,101	650	-	18,247
Total at June 30 2023	$ 36,435	$ 996	$ 3,941	$ 1,934	$ -	$ 43,306

	DWF & CWSLRF	CEDF	SIB	BRF	WCEDF	Total
Cash and cash equivalents	$ 18,253	$ 67	$ 1,646	$ 1,205	$ -	$ 21,171
Loans receivable	18,044	953	2,264	710	373	22,344
Total at June 30, 2022	$ 36,297	$ 1,020	$ 3,910	$ 1,915	$ 373	$ 43,515

Dollar Amounts in Thousands

(13) Restricted Net Position

The changes in restricted net position, exclusive of fiduciary activity, for the past two years are detailed in the table below: VEDA had restricted net position of $25,637 and $29,056 at June 30, 2023 and 2022, respectively.

The purpose of the restricted net position amounts are described below:

	Balance at 6/30/2021	(Decrease) Increase	Balance at 6/30/2022	(Decrease) Increase	Balance at 6/30/2023
For collateral reserve funds	$ 21,676	$ (4)	$ 21,672	$ (4,497)	$ 17,175
For Vermont seed capital fund	3,317	2,866	6,183	(262)	5,921
For federal program	-	-	-	1,095	1,095
For VEDA Capital Access Program	195	42	237	(15)	222
For escrows, reserves and deposits	12	2	14	(14)	-
VJF Total	25,200	2,906	28,106	(3,693)	24,413
For investment in Cobank	896	10	906	1	907
VACC total	896	10	906	1	907
Community advantage restricted cash	29	15	44	1	45
VT504 total	29	15	44	1	45
Totals	$ 26,125	$ 2,931	$ 29,056	$ (3,691)	$ 25,365

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 $17,177 in fair value of marketable securities held with a trustee as collateral; this amount includes the $8,000 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 investments 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 $445 and $371 in the VJF at June 30, 2023 and 2022, 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 and totaled $45 and $44 at June 30, 2023 and 2022, respectively.

VERMONT SMALL BUSINESS DEVELOPMENT CORPORATION
(A Component Unit of the Vermont Economic Development Authority)
Combining Statements of Net Position
As of June 30, 2023 and 2022

Dollar Amounts in Thousands	As of June 30, 2023			As of June 30, 2022		
	VSDBC IRP Fund	VSBDC Loan Fund	VSDBC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Current Assets						
Unrestricted cash and cash equivalents	$ 1,967	$ 195	$ 2,162	$ 3,128	$ 512	$ 3,640
Loans receivable	25	2,452	2,477	733	1,426	2,159
Accrued interest receivable	30	42	72	26	44	70
Total current assets	2,022	2,689	4,711	3,887	1,982	5,869
Loans receivable, less current portion	8,587	18,589	27,176	7,557	15,912	23,469
Less allowance for loan losses	(212)	(563)	(775)	(186)	(447)	(633)
Loans receivable, less current portion, net of allowance for loan losses	8,375	18,026	26,401	7,371	15,465	22,836
Total assets	$ 10,397	$ 20,715	$ 31,112	$ 11,258	$ 17,447	$ 28,705
Current Liabilities						
Notes payable	$ 347	$ -	$ 347	$ 344	$ -	$ 344
Accounts payable and accrued expenses	-	-	-	-	-	-
Interfund accounts payable	20	314	334	29	132	161
Accrued interest payable	30	-	30	31	-	31
Total current liabilities	397	314	711	404	132	536
Notes payable, less current portion	5,664	-	5,664	6,005	-	6,005
Interfund note payable	-	16,065	16,065	-	15,965	15,965
Total liabilities	$ 6,061	$ 16,379	$ 22,440	$ 6,409	$ 16,097	$ 22,506
Unrestricted net position	$ 4,336	$ 4,336	$ 8,672	$ 4,849	$ 1,350	$ 6,199

VERMONT SMALL BUSINESS DEVELOPMENT CORPORATION
(A Component Unit of the Vermont Economic Development Authority)
Combining Statements of Revenues, Expenses and Changes in Net Position
As of June 30, 2023 and 2022

	As of June 30, 2023			As of June 30, 2022		
Dollar Amounts in Thousands	VSDBC IRP Fund	VSBDC Loan Fund	VSDBC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Operating revenues						
Cash and investment revenue	$ 31	$ 5	$ 36	$ 2	$ -	$ 2
Loans receivable interest	510	997	1,507	400	831	1,231
Other revenues	34	54	88	25	36	61
Total operating revenues	575	1,056	1,631	427	867	1,294
Operating expenses						
Notes payable interest	62	-	62	65	-	65
Interfund interest expense	-	772	772	-	377	377
Provision for loan losses	26	104	130	(80)	(406)	(486)
Interfund expense allocation	178	374	552	159	344	460
Total operating expenses	266	1,250	1,516	145	315	460
Operating income	309	(194)	115	282	552	834
Non-operating revenue (expense)						
Federal grant revenue earned	-	2,410	2,410	-	-	-
Interfund non-operating revenue (expense)	30	(82)	(52)	294	(94)	200
Total non-operating revenue (expense)	30	2,328	2,358	294	(94)	200
Net increase in net position	339	2,134	2,473	576	458	1,034
Net position at beginning of year	4,849	1,350	6,199	4,273	892	5,165
Net position at end of year	$ 5,188	$ 3,484	$ 8,672	$ 4,849	$ 1,350	$ 6,199

VERMONT SMALL BUSINESS DEVELOPMENT CORPORATION
(A Component Unit of the Vermont Economic Development Authority)
Combining Statements of Cash Flows
As of June 30, 2023 and 2022

Dollar Amounts in Thousands	As of June 30, 2023			As of June 30, 2022		
	VSDBC IRP Fund	VSBDC Loan Fund	VSDBC Combined Total	VSBDC IRP Fund	VSBDC Loan Fund	VSBDC Combined Total
Cash flows from operating activities						
Interest received on loans receivable	$ 514	$ 990	$ 1,504	$ 431	$ 906	$ 1,337
Other revenues received	34	54	88	25	36	61
Operating expenses paid other than interest	(187)	(189)	(376)	(136)	(279)	(415)
Principal received on loans receivable	1,153	3,047	4,200	2,358	5,326	7,684
Principal disbursed on loans receivable	(2,335)	(5,879)	(8,214)	(1,587)	(4,228)	(5,815)
Net cash (used for) provided by operating activities	(821)	(1,977)	(2,798)	1,091	1,761	2,852
Cash flows from noncapital financing activities						
Interest paid on notes payable	(63)	-	(63)	(64)	-	(64)
Interest paid on interfund note payable	-	(772)	(772)	-	(377)	(377)
Interfund non-operating revenue (expense)	30	(82)	(52)	294	(94)	200
Interfund transfer of loans receivable	-	-	-	-	-	-
Proceeds from interfund note payable	-	600	600	-	350	350
Payments on interfund note payable	-	(500)	(500)	-	(2,000)	(2,000)
Federal grants funds received	-	2,410	2,410	-	-	-
Proceeds from notes payable	5	-	5	251	-	251
Payments on notes payable	(343)	-	(343)	(300)	-	(300)
Net cash (used for) provided by non-capital financing activities	(371)	1,656	1,285	181	(2,121)	(1,940)
Cash flows from investing activities:						
Interest received on cash and investments	30	5	35	2	-	2
Net cash provided by investing activities	30	5	35	2	-	2
Net (decrease) increase in cash and cash equivalents	(1,162)	(316)	(1,478)	1,274	(360)	914
Cash and cash equivalents at beginning of year	3,128	512	3,640	1,854	872	2,726
Cash and cash equivalents at end of year	$ 1,966	$ 196	$ 2,162	$ 3,128	$ 512	$ 3,640
Reconciliation of operating income to net cash (used for) provided by operating activities						
Operating income (loss)	$ 309	$ (194)	$ 115	$ 282	$ 552	$ 834
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities						
Interest on investment activities	(31)	(5)	(36)	(2)	-	(2)
Interest on notes payable	62	-	62	65	-	65
Interest paid on interfund notes payable	-	772	772	-	377	377
Provision for loan losses	26	104	130	(80)	(406)	(486)
Changes in assets and liabilities						
Loans receivable	(1,182)	(2,844)	(4,026)	823	856	1,679
Allowance for loan losses	-	12	12	(52)	242	190
Accrued interest receivable	4	(7)	(3)	31	75	106
Accounts payable and accrued expenses	-	3	3	-	1	1
Interfund accounts payable	(9)	182	173	24	64	88
Net cash (used for)provided by operating activities	$ (821)	$ (1,977)	$ (2,798)	$ 1,091	$ 1,761	$ 2,852

Schedule 3 See independent auditor's report

VERMONT 504 CORPORATION
(A Component Unit of the Vermont Ecomonic Authority)
Combining Statements of Net Position
As of June 30, 2023 and 2022

Dollar Amounts in Thousands	As of June 30, 2023			As of June 30, 2022		
	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	$ 1,639	$ 132	$ 1,771	$ 1,789	$ 1,004	$ 2,793
Restricted cash	-	45	45	-	44	44
Loans receivable	365	516	881	315	1,423	1,738
Accrued interest receivable	9	7	16	10	54	64
Total current assets	2,013	700	2,713	2,114	2,525	4,639
Loans receivable, less current portion	5,277	2,732	8,009	4,609	5,882	10,491
Less allowance for loan losses	(126)	(27)	(153)	(110)	(39)	(149)
Loans receivable, less current portion, net of allowance for loan losses	5,151	2,705	7,856	4,499	5,843	10,342
Total assets	$ 7,164	$ 3,405	$ 10,569	$ 6,613	$ 8,368	$ 14,981
Current liabilities						
Notes payable	$ 154	$ -	$ 154	$ 151	$ 1,813	$ 1,964
Interfund accounts payable	12	9	21	7	2,872	2,879
Accrued interest payable	22	-	22	18	-	18
Total current liabilities	188	9	197	176	4,685	4,861
Notes payable, less current portion	4,494	-	4,494	4,144	(1,813)	2,331
Interfund note payable	-	666	666	-	2,844	2,844
Total liabilities	$ 4,682	$ 675	$ 5,357	$ 4,320	$ 5,716	$ 10,036
Net position						
Restricted net position	-	45	45	-	44	44
Unrestricted net position	2,481	2,686	5,167	2,293	2,608	4,901
Total net position	$ 2,481	$ 2,731	$ 5,212	$ 2,293	$ 2,652	$ 4,945

 See independent auditor's report

VERMONT 504 CORPORATION
(A Component Unit of the Vermont Ecomonic Authority)
Combining Statement of Revenues, Expenses and Changes in Net Position
As of June 30, 2023 and 2022

	As of June 30, 2023			As of June 30, 2022		
Dollar Amounts in Thousands	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Operating revenues						
Cash and investment revenue	$ -	$ -	$ -	$ 1	$ 3	$ 4
Loans receivable interest	283	160	443	226	286	512
Other revenues	-	-	-	14	96	110
Total operating revenues	283	160	443	241	385	626
Operating expenses						
Notes payable interest	47	-	47	40	24	64
Interfund interest expense	(126)	78	(48)	-	60	60
Provision for loan losses	12	(5)	7	(46)	5	(41)
Professional fees	-	-	-	(3)	8	5
Interfund expense allocation	-	-	-	93	391	484
Total operating expenses	(67)	73	6	84	488	572
Operating income (loss)	350	87	437	157	(103)	54
Interfund non-operating revenue	-	-	-	32	18	50
Net increase (decrease) in net position	350	87	437	189	(85)	104
Net position at beginning of year	2,104	2,737	4,841	2,104	2,737	4,841
Net position at end of year	$ 2,454	$ 2,824	$ 5,278	$ 2,293	$ 2,652	$ 4,945

 See independent auditor's report

VERMONT 504 CORPORATION
(A Component Unit of the Vermont Ecomonic Authority)
Combining Statements of Cash Flows
As of June 30, 2023 and 2022

Dollar Amounts in Thousands	As of June 30, 2023 VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total	As of June 30, 2022 VT504 IRP Fund	VT504 SBA CDC Fund	VT504 Combined Total
Cash flows from operating activities:						
Interest received on loan receivable	$ 284	$ 207	$ 491	$ 262	$ 352	$ 614
Other revenues received	14	79	93	14	96	110
Operating expense paid other than interest	(91)	(2,980)	(3,071)	(85)	1,185	1,100
Principal received on loans receivable	543	4,537	5,080	1,386	33,557	34,943
Principal disbursed on loans receivable	(1,261)	(482)	(1,743)	(1,055)	(1,330)	(2,385)
Net cash (used for) provided by operating activities	(511)	1,361	850	522	33,860	34,382
Cash flows from noncapital financing activities						
Interest paid on notes payable	(43)	-	(43)	(42)	(46)	(88)
Interest paid on interfund note payable	-	(78)	(78)	-	(60)	(60)
Interfund non-operating revenue (expense)	26	22	48	32	18	50
Proceeds from interfund note payable	-	100	100	-	480	480
Proceeds on interfund note payable	-	(2,278)	(2,278)	-	(15,430)	(15,430)
Proceeds from notes payable	506	-	506	205	-	205
Payments on notes payable	(153)	-	(153)	(119)	(22,274)	(22,393)
Net cash provided by (used for) non-capital financing activities	336	(2,234)	(1,898)	76	(37,312)	(37,236)
Cash flows from investing activities						
Interest received on cash and investments	23	4	27	1	3	4
Net cash provided by investing activities	23	4	27	1	3	4
Net (decrease) increase in cash and cash equivalents	(152)	(869)	(1,021)	599	(3,449)	(2,850)
Cash and cash equivalents at beginning of year	1,789	1,048	2,837	1,190	4,497	5,687
Cash and cash equivalents at end of year	$ 1,637	$ 179	$ 1,816	$ 1,789	$ 1,048	$ 2,837
Reconciliation of operating income (loss) to net cash (used for) provided by operating activities:						
Operating income (loss)	$ 163	$ 56	$ 219	$ 157	$ (103)	$ 54
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Interest income on investment activities	(24)	(4)	(28)	(1)	(3)	(4)
Interest expense on notes payable	47	-	47	40	24	64
Interest paid for interfund financing activities	-	78	78	-	60	60
Provision for loan losses	12	(5)	7	(46)	5	(41)
Change in assets and liabilities:						
Loans receivable	(718)	4,058	3,340	328	32,227	32,555
Allowance for loan losses	4	(8)	(4)	2	1	3
Accrued interest receivable	1	47	48	37	66	103
Accounts payable and accrued expenses	-	-	-	-	-	-
Interfund accounts payable	5	(2,862)	(2,857)	5	1,583	1,588
Net cash (used for) provided by operating activities	$ (510)	$ 1,360	$ 850	$ 522	$ 33,860	$ 34,382

Schedule 6 See independent auditor's report