Vermont Community Loan Fund, Inc.

FINANCIAL STATEMENTS

December 31, 2022

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KBS
Kittell Branagan & Sargent
Certified Public Accountants
Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Vermont Community Loan Fund, Inc.
Montpelier, Vermont

Opinion

We have audited the accompanying financial statements of Vermont Community Loan Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Community Loan Fund, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Vermont Community Loan Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Vermont Community Loan Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

154 North Main Street, St. Albans, Vermont 05478 | P 802.524.9531 | 800.499.9531 | F 802.524.9533
www.kbscpa.com

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 opinion. 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 generally accepted 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, including omissions, 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 generally accepted 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 Vermont Community Loan Fund, Inc.'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 Vermont Community Loan Fund, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kittell Branagan & Sargent

St. Albans, Vermont
February 23, 2023

Vermont Community Loan Fund, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents - Note 2, 4 and 5	$ 11,630,467	$ 18,291,115
Investments - Certificates of Desposit - Note 2, 4 and 5	1,951,538	2,752,266
Investments - Note 3, 4 and 5	3,114,891	749,703
Other Receivables - Current Portion - Note 6	65,838	56,027
Loans Receivable - Current Portion - Note 7	6,658,844	6,339,629
Accrued Interest Receivable	201,572	175,672
Prepaid Expenses	44,434	47,185
TOTAL CURRENT ASSETS	23,667,584	28,411,597
NON-CURRENT ASSETS		
Investments - Long-Term Portion- Note 3, 4 and 5	8,178,590	2,659,424
Loans Receivable - Long-Term Portion - Note 7	20,817,872	22,644,133
Operating Lease - Right to Use Asset	497,342	-
Security Deposit -Note 17	4,308	4,308
Reserve for Loan Losses - Note 8	(1,573,531)	(1,737,899)
Plant and Equipment - (Net of Accumulated Depreciation) - Note 9	210,188	213,851
TOTAL NON-CURRENT ASSETS	28,134,769	23,783,817
TOTAL ASSETS	$ 51,802,353	$ 52,195,414

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts Payable	$ 26,900	$ 17,801
Accrued Liabilities	78,020	84,297
Borrower Deposits - Note 14	141,060	341,090
Accrued Interest Payable	226,517	240,725
Deferred Revenue - Current Portion - Note 10	14,768	21,027
Operating Lease Liability - Current Portion - Note 17	65,071	-
Loans Payable - Current Portion - Note 11	10,394,712	7,811,098
TOTAL CURRENT LIABILITIES	10,947,048	8,516,038
NON-CURRENT LIABILITIES		
Deferred Revenue - Long-Term - Note 10	21,346	36,919
Operating Lease Liability - Note 17	439,430	-
Loans Payable - Long-Term - Note 11	22,878,355	26,497,702
TOTAL NON-CURRENT LIABILITIES	23,339,131	26,534,621
TOTAL LIABILITIES	34,286,179	35,050,659
NET ASSETS		
Without Donor Retrictions- Note 13	13,748,273	13,284,527
With Donor Restrictions- Note 12 and 13	3,767,901	3,860,228
TOTAL NET ASSETS	17,516,174	17,144,755
TOTAL LIABILITIES AND NET ASSETS	$ 51,802,353	$ 52,195,414

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc.
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2022

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions	$ 118,340	$ 106,901	$ 225,241	$ 230,984	$ 196,063	$ 427,047
Grants	774,295	277,000	1,051,295	2,725,359	1,212,500	3,937,859
Financing Charges	89,015	-	89,015	226,507	-	226,507
Loan Interest	1,505,219	935	1,506,154	1,577,535	-	1,577,535
Net Investment Income	152,446	534	152,980	55,807	767	56,574
Recovery of Bad Debt and Foreclosure Expenses	-	-	-	31,406	-	31,406
Other Income	24,515	-	24,515	31,356	-	31,356
Net Assets Released from Restrictions - Note 12	477,697	(477,697)	-	469,465	(469,465)	-
TOTAL REVENUE	3,141,527	(92,327)	3,049,200	5,348,419	939,865	6,288,284
EXPENSES						
Program Services	2,124,479	-	2,124,479	2,343,976	-	2,343,976
Management and General	453,012	-	453,012	420,048	-	420,048
Fundraising	100,290	-	100,290	92,621	-	92,621
TOTAL EXPENSES	2,677,781	-	2,677,781	2,856,645	-	2,856,645
CHANGES IN NET ASSETS	463,746	(92,327)	371,419	2,491,774	939,865	3,431,639
NET ASSETS - January 1,	13,284,527	3,860,228	17,144,755	10,792,753	2,920,363	13,713,116
NET ASSETS - December 31,	$ 13,748,273	$ 3,767,901	$ 17,516,174	$ 13,284,527	$ 3,860,228	$ 17,144,755

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Accounting	$ -	$ 36,131	$ -	$ 36,131
Bank Charges	3,989	1,710	-	5,699
Board and Committee Expense	915	549	366	1,830
Computer Supplies	9,163	2,443	611	12,217
Consultants	83,110	35,619	-	118,729
Depreciation	45,503	12,134	3,034	60,671
Dues and Publications	7,640	2,037	509	10,186
Employee Search & Relocation Exp	-	2,249	-	2,249
Foreclosure Expense	41,929	-	-	41,929
Fiscal Sponsor Admin Fees	15,354	-	-	15,354
Grant Administrative Expenses	6,661	-	-	6,661
Insurance	16,333	4,356	1,089	21,778
Interest Expense	505,062	-	-	505,062
Legal	1,048	3,144	-	4,192
Loan Service Fees	7,483	-	-	7,483
Marketing and Communications	39,785	-	4,421	44,206
Provision for Loan Losses - Note 8	(55,001)	-	-	(55,001)
Occupancy Costs	80,095	21,359	5,340	106,794
Office Supplies	5,641	1,504	376	7,521
Outreach	18,104	-	2,012	20,116
Personnel Costs	1,205,952	321,587	80,397	1,607,936
Postage	2,117	1,058	353	3,528
Repairs and Maintenance	1,534	409	102	2,045
Staff Enrichment	4,855	1,295	324	6,474
Telephone	9,947	2,653	663	13,263
Training	4,385	1,169	292	5,846
Transportation	4,954	1,321	330	6,605
Travel	1,071	285	71	1,427
Pass Through Grant Expense	56,850	-	-	56,850
TOTAL	$ 2,124,479	$ 453,012	$ 100,290	$ 2,677,781

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Accounting	$ -	$ 35,220	$ -	$ 35,220
Bank Charges	3,359	1,440	-	4,799
Board and Committee Expense	642	386	257	1,285
Computer Supplies	9,496	2,532	633	12,661
Consultants	66,353	28,437	-	94,790
Depreciation	28,475	7,593	1,898	37,966
Dues and Publications	6,874	1,833	458	9,165
Employee Search & Relocation Exp	-	1,721	-	1,721
Foreclosure Expense	54,761	-	-	54,761
Fiscal Sponsor Admin Fees	15,484	-	-	15,484
Grant Administrative Expenses	13,372	-	-	13,372
Insurance	13,393	3,572	893	17,858
Interest Expense	530,830	-	-	530,830
Legal	690	2,071	-	2,761
Loan Service Fees	24,276	-	-	24,276
Marketing and Communications	33,687	-	3,743	37,430
Provision for Loan Losses - Note 7	139,084	-	-	139,084
Occupancy Costs	65,968	17,592	4,398	87,958
Office Supplies	4,388	1,170	293	5,851
Outreach	7,555	-	840	8,395
Personnel Costs	1,159,947	309,319	77,330	1,546,596
Postage	2,084	1,043	348	3,475
Repairs and Maintenance	1,413	377	94	1,884
Staff Enrichment	3,377	901	225	4,503
Telephone	10,031	2,675	669	13,375
Training	6,389	1,704	426	8,519
Transportation	1,666	444	111	2,221
Travel	68	18	5	91
Pass Through Grant Expense	140,314	-	-	140,314
TOTAL	$ 2,343,976	$ 420,048	$ 92,621	$ 2,856,645

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 371,419	$ 3,431,639
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation Expense	60,671	37,966
Loans Receivable Charged Off	109,367	152,672
Change in Provision for Loan Losses	(164,368)	(13,587)
(Increase)/Decrease in:		
Prepaid Expenses	2,751	(5,784)
Security Deposit	-	(4,308)
Operating Lease - Right to Use Asset	47,652	-
Other Receivable	(9,811)	(38,962)
Increase/(Decrease) in:		
Accounts Payable	9,099	857
Accrued Liabilities	(6,277)	7,388
Borrower Deposits	(200,030)	200,303
Operating Lease Liability	(40,493)	-
Deferred revenue	(21,832)	(27,640)
NET CASH PROVIDED BY OPERATING ACTIVITIES	158,148	3,740,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(Increase) in Investments - Certicates of Deposits	800,728	(753,158)
Decrease/(Increase) in Investments	(7,884,354)	191,192
(Purchase) or Sale of Leasehold Improvements and Equipment	(57,008)	(216,373)
Principal Advances on Loans Receivable	(7,403,640)	(6,494,707)
Principal Payments on Loans Receivable	8,801,315	5,757,111
Decrease/(Increase) in Accrued Interest Receivable	(25,900)	10,094
NET CASH (USED) BY INVESTING ACTIVITIES	(5,768,859)	(1,505,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Accrued Interest Payable	(14,208)	4,803
Proceeds from additional Loans Payable	2,244,356	3,317,761
Principal Payments to Loans Payable	(3,280,084)	(1,573,465)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,049,936)	1,749,099
NET INCREASE (DECREASE) IN CASH	(6,660,647)	3,983,802
CASH - January 1,	18,291,115	14,307,313
CASH - December 31,	$ 11,630,468	$ 18,291,115
SUPPLEMENTAL DISCLOSURES		
Interest paid to investors	$ 519,408	$ 526,612

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc. (herein "The Fund") was organized in June 1987 as a non-profit corporation under the laws of the State of Vermont and was granted exempt status by the Internal Revenue Service under IRC Section 501(c) (3) on April 27, 1988.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with generally accepted accounting principles.

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three (3) months of the date acquired by The Fund.

Plant and equipment is stated at cost for purchases higher than $1,000. Normal maintenance and repair costs are expensed as incurred. Depreciation is charged using the straight-line method over the following estimated lives:

Leasehold Improvements	Term of Lease
Furniture, Fixtures and Equipment	5 Years
Computer Equipment	3 Years

Paid time off is accrued and charged to the appropriate program expense when earned by the employee.

Contributions of cash and other assets are reported as restricted if they are received with donor imposed stipulations that limit the use of the donated assets. Contributions can be unrestricted, temporarily restricted, or permanently restricted.

<u>Net Assets without Donor Restrictions</u>
These assets result from contributions and other inflows which have no restrictions and over which the Board of Directors retains full control to use in achieving any of its organizational purposes.

<u>Net Assets with Donor Restrictions</u>
These assets result from donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events or programs run by The Fund. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained for a particular use in perpetuity. Net assets with donor-imposed restrictions are released when the restriction expires which could be when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Fund reports each class of net assets within the following subcategories:

Program Activities – Include net assets that are restricted to cover program delivery expenses and general operating functions of The Fund, which could include salary, program costs, overhead, and other expenses.

Financing Activities – Net assets that are restricted for mission-related lending. Where restricted by donors, these include net assets which will be redeployed as lending capital unless the grant is released due to a restriction being met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Because donors generally allow contributions to this category of net assets to offset loan charge-offs, The Fund releases an amount equivalent to the loss taken related to the charge-off. Any net recoveries related to the loan charge-off will be returned to this category.

Pass-Through Activities – Net assets that are restricted amounts to be passed through (re-granted) to other organizations or individuals for mission-related purposes. These net assets are not available to be used for program activities or financing activities.

The Fund classifies net assets with donor restrictions into two subcategories:

- *Purpose restricted* net assets include amounts restricted for program activities or mission related finance activities of The Fund.
- *Perpetual in nature* net assets include grant funds that are held in perpetuity.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Below Market Interest Rate Loans

Generally accepted accounting principles require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below market interest rates. The Fund believes there is no material difference between market rates for these types of loans and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the financial statements to reflect rate differentials.

Loans Receivable

The Fund considers all loans receivable as not held for sale therefore management intends to hold them until paid. Interest accrues daily on outstanding loan balances and The Fund generally collects payments on principal and interest monthly.

Loans become delinquent after 30 days have elapsed since the scheduled payment due date per the terms of the loan. Loans are recorded for non-accrual status when repayment of principal and/or interest in full is doubtful or the borrower's financial soundness is in serious jeopardy. If a loan is well secured and in the process of collection and not expected to result in a deficiency after collateral liquidation, The Fund's staff can recommend that the loan not be placed on non-accrual status. Loans that are removed from non-accrual status must be current and approved by The Fund's Executive Director with written notice.

Loans that have payments in arrears of 90 days or more will be reviewed for consideration as a potential loan charge-off. In the instance of secured loans, staff will take steps to review and evaluate the current value of collateral, including real estate, assigned accounts, chattel/personal property, and the strength of any loan guarantors or co-signers. After exhausting reasonable efforts in loan workout and collateral acquisition and liquidation, staff can categorize those non-performing loans as non-recoverable and offset the respective loan loss reserve account against the outstanding balance of the loan.

NOTE 2 CASH AND CERTIFICATES OF DEPOSIT

Cash and certificates of deposit as of December 31, 2022 and 2021 totaled $13,582,005 and $21,043,381, respectively.

Cash and Certficates of Deposit	***2022***	***2021***
Insured/(FDIC/NCUA)	$ 1,868,331	$ 2,002,764
Collateralized - Treasury	2,344,174	2,794,954
Collateralized - Pool	9,228,733	14,124,920
Uninsured/Uncollateralized	140,767	2,120,743
Total	$ 13,582,005	$ 21,043,381

The collateralized accounts are collateralized with government securities, federal agency issued mortgage backed securities and/or general obligation Vermont municipal notes and bonds held by the Bank's Trust department with a security interest granted to The Fund.

Per agreements with Green Mountain Power, USDA Rural Development, the Small Business Administration, and the Economic Development Authority (EDA), separate bank accounts are maintained totaling $2,671,477 and $3,195,276 at December 31, 2022 and 2021, respectively.

The book balance is comprised of cash and certificates of deposits as follows:

Cash and Certficates of Deposit	***2022***	***2021***
Cash and Cash Equivalents	$ 11,630,467	$ 18,291,115
Investments- Certificates of Deposit	1,951,538	2,752,266
Total	$ 13,582,005	$ 21,043,381

NOTE 3 INVESTMENTS

At December 31, 2022 and 2021, The Fund had $11,293,481 and $3,409,127 in investments in U.S. Government Agency Obligations, respectively.

The Fund's investments are reported at fair value in the accompanying balance sheets. The methods used to measure fair value may produce an amount that may not be indicative of net realizable or reflective of future fair values. Furthermore, although The Fund believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

NOTE 3 INVESTMENTS (continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

The Fund uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, The Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs and Level 3 inputs are only used when Level 1 inputs are not available. All of the investments held by The Fund are classified as Level 1.

Level 2 Fair Value Measurements

The fair value of U.S. government agency obligations is valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The book balance is comprised of U.S. government agency obligations as follows:

Investments	***2022***	***2021***
Investments - U.S. Government Agency Obligations	$ 11,293,481	$ 3,409,127
Less: Current Portion	3,114,891	749,703
Non-Current Portion	$ 8,178,590	$ 2,659,424

NOTE 4 LIQUIDITY

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 5), within one year of the statement of financial position date, comprise the following at December 31, 2022.

Cash and cash equivalents	$	11,630,467
Investments - Certificates of Deposit		1,951,538
Investments		3,114,891
Other receivables		65,838
Loans receivable - current portion		6,658,844
Accrued interest receivable		201,572
	$	23,623,150
Less:		
Pass-through cash and cash equivalents:		(448,334)
Borrower Deposits		(141,060)
Investor liquidity reserves		(2,661,845)
	$	20,371,911

NOTE 4 LIQUIDITY (continued)

The Fund's investment and cash management objectives are to carry out The Fund's mission. Effective investment and cash management enhances The Fund's capacity to increase access to capital for the benefit of low and moderate income Vermonters. The Fund is committed to repaying in full all investors and to preserve its capital for the use in fulfilling its mission.

As a part of its internal cash management policies, The Fund aims to maintain operating liquidity balances of at least three months of operating expenses and current payables. Cash exceeding short-term requirements can be invested in various marketable securities, mainly certificates of deposit from financial institutions, US government obligations, and/or US government agency securities (see Note 2 and 3) following the parameters of the Board-approved Investment and Cash Management Policy. In managing its investment portfolio, The Fund aims to minimize risk to principal and ensure compliance with all investor covenants.

To ensure sufficient funding available to support investor repayments, as part of a Board-approved Investment and Cash Management Policy, The Fund maintains an internal liquidity reserve equal to the greatest of 8% of unrestricted obligations to investors or 25% of unrestricted obligations to investors due in the next twelve months.

To supplement liquidity for mission related financing, The Fund currently has two committed lines of credit from two different banks which it could draw upon (see Note 16). As of December 31, 2022, none of these lines have outstanding balances.

NOTE 5 CASH AND INVESTMENT RESERVES

At December 31, 2022 and 2021, The Fund had cash and investments of $24,875,486 and $24,452,507, respectively. The Fund reserves a portion of this money for various purposes.

The following is a breakdown of these reserves.

Type of Reserve	***2022***	***2021***
Cash Reserved for GMP & GMPCHP	$ 138,357	$ 194,925
Cash Reserved for VECAA	309,977	322,735
Cash Reserved for Loan Commitments & Undisbursed Closed Loans	6,881,525	5,243,783
Cash Reserved for Loan Loss & Investor Liquidity	4,235,377	4,482,603
Cash Reserved for Borrower Deposits	141,060	341,090
Available Cash - Undesignated (Operating)	1,029,835	1,189,651
Available Cash for Lending	12,139,355	12,677,720
Total Cash	$ 24,875,486	$ 24,452,507

At December 31, 2022, the Available Cash for Lending excludes various lines of credits and financing commitments as more fully described in Note 16. Financing Commitments.

NOTE 6 OTHER RECEIVABLES

At December 31, 2022 and 2021, The Fund had other receivables of $65,838 and $56,027 respectively. Other receivables are comprised of grants which will be received in 2023.

Other Receivables	2022	2021
EDA CARES Technical Assistance Grant	$ -	$ 4,539
USDA (RMAP) Technical Assistance Grant	10,199	5,962
SBA Technical Assistance Grant	55,639	45,526
Total	$ 65,838	$ 56,027

NOTE 7 LOANS RECEIVABLE

At December 31, 2022 and 2021, there were 255 and 242 loans receivable, respectively. The loan balances at December 31, 2022 vary in amount from $280 to $2,080,810 with maturity dates ranging from February 1, 2023 to December 1, 2041 and with interest rates from 0% to 8% with a weighted average rate of 5.00%. Security interests vary from loan guarantees and senior and junior mortgages to personal and business property.

Total loans receivable at December 31, 2022 and 2021 were $27,476,716 and $28,983,762, respectively.

Loans Receivable	2022	2021
Loans Current, Per Terms of Loan	$ 26,659,500	$ 28,240,979
Loans Delinquent, 31-90 Days	147,566	9,695
Non-Performing Loans	669,650	733,088
Total	27,476,716	28,983,762
Less: Current Portion	(6,658,844)	(6,339,629)
Non-Current Portion	$ 20,817,872	$ 22,644,133

Maturities of Loans Receivable at December 31, 2022 are as follows:

2023	$ 6,658,844
2024	3,844,902
2025	3,006,711
2026	2,553,217
2027	5,885,127
Thereafter	5,527,915
Total	$ 27,476,716

In 2013, The Fund was approved to be a member of the U.S. Small Business Administration 7(a) Loan Guarantee Program – Community Advantage Pilot Program. The guarantee program provides guarantees for 85% of the principal balance of qualifying loans equal to or under $150,000 and a 75% guarantee for loans over $150,000. As of December 31, 2022 and 2021 the guaranteed principal balance was $180,388 and $398,577, respectively. The total outstanding balances for these loans as of December 31, 2022 and 2021 were $236,896 and $511,641, respectively.

NOTE 7 LOANS RECEIVABLE (continued)

Because of The Fund's participation in the U.S. Small Business Administration 7(a) Loan Guarantee Program – Community Advantage Pilot Program, The Fund was able to become a Paycheck Protection Program (PPP) lender under the Coronavirus Aid, Relief, and Economic Security Act (CARES). In 2022 and 2021, The Fund closed zero (0) and forty-six (46) loans totaling $0 and $908,904, respectively. As of December 31, 2022, the outstanding balance for these loans was $0.

At December 31, 2022 and 2021, The Fund also held a $95,000 note receivable which will only be recoverable under certain conditions and, therefore, this loan is not included in the total above, or in Exhibit I. This loan was made to the Crystal Lake Housing Limited Partnership (Crystal Lake) and is structured as a thirty (30) year, 0% deferred note. The repayment of this note is based on the future cash flow and ability of the borrower to repay. A grant was received by The Fund to make this loan. This grant does not require any payback by The Fund regardless of the collection of the loan from Crystal Lake.

At December 31, 2022 and 2021, The Fund also held a $400,000 note receivable which will only be recoverable under certain conditions and, therefore, this loan is not included in the total above, or in Exhibit I. This loan was made to the Moose River Housing Limited Partnership (Moose River) and is structured as a thirty (30) year, 0% deferred note. The repayment of this note is based on the future cash flow and ability of the borrower to repay. A grant was received by The Fund to make this loan. This grant does not require any payback by The Fund regardless of the collection of the loan from Moose River.

At December 31, 2022 and 2021, The Fund also held a $413,400 note receivable which will only be recoverable under certain conditions and, therefore, this loan is not included in the total above, or in Exhibit I. This loan was made to the Evergreen Housing Limited Partnership (Evergreen) and is structured as a thirty (30) year, 0% deferred note. The repayment of this note is based on the future cash flow and ability of the borrower to repay. A grant was received by The Fund to make this loan. This grant does not require any payback by The Fund regardless of the collection of the loan from Evergreen.

Per its Bylaws, The Fund actively seeks out community-based non-profit organizations and members of lending institutions to serve on the Board of Directors. Consequently, during the course of business, loans may be made to organizations of which current Vermont Community Loan Fund, Inc. members are significant employees or board directors.

Committed Funds to Borrowers

At December 31, 2022 and 2021, there were thirty (30) outstanding loan commitments and loans not fully disbursed totaling $6,881,525 and $5,243,782, respectively.

NOTE 8 LOAN LOSS RESERVE

The Fund has established a reserve to cover potential loan losses. The reserve amount is based on a risk rating system. Each loan in the portfolio is assigned a risk rating which is tied to a percentage. This percentage is used to determine the reserve amount for each loan based on the outstanding loan balance. Each loan's risk rating is evaluated at the time of origination and annually by both the loan officer and the loan monitoring committee. This process is intended to manage the risk of the portfolio. It should assure a consistent level of awareness regarding the risk and a systematic method of adjusting the portfolio's reserves to accommodate risk levels at any given time. The loan loss reserve account is funded from unrestricted net assets. The loan loss reserves at December 31, 2022 and 2021 are $1,573,531 and $1,737,899, respectively.

Changes in the loan loss reserve for the years ended December 31, were as follows:

2022	Housing	Community Facilities	Business	Early Care & Learning	Total
Balance Dec 31, 2021	$ 595,821	$ 225,333	$ 524,915	$ 391,830	$ 1,737,899
Provision for Loan Losses	(31,781)	(36,357)	(4,587)	17,724	(55,001)
Recoveries of amounts charged off	-	-	-	-	-
	564,040	188,976	520,328	409,554	1,682,898
Amounts Charged off	(6,000)	-	-	(103,367)	(109,367)
Balance Dec 31, 2022	$ 558,040	$ 188,976	$ 520,328	$ 306,187	$ 1,573,531

2021	Housing	Community Facilities	Business	Early Care & Learning	Total
Balance Dec 31, 2020	$ 661,000	$ 216,168	$ 520,693	$ 353,625	$ 1,751,486
Provision for Loan Losses	(65,179)	9,165	(18,401)	182,093	107,678
Recoveries of amounts charged off	-	-	22,623	8,783	31,406
	595,821	225,333	524,915	544,501	1,890,570
Amounts Charged off	-	-	-	(152,671)	(152,671)
Balance Dec 31, 2021	$ 595,821	$ 225,333	$ 524,915	$ 391,830	$ 1,737,899

Despite the above allocation, the loan loss reserve is general in nature and is available to absorb loss from any loan type.

The Fund's impairment methodology is to individually evaluate every loan for impairment in calculating the loan loss reserve.

NOTE 8 LOAN LOSS RESERVE (continued)

The following table summarizes the loan ratings applied to The Fund's loan types as of December 31:

2022 Risk	Housing	Community Facilities	Business	Early Care & Learning	Total
Low	$ 318,177	$ 26,118	$ -	$ -	$ 344,295
Moderate	2,100,859	482,161	194,091	234,603	3,011,714
Average	4,984,400	373,118	6,006,446	2,006,755	13,370,719
Substantial	4,038,721	3,480,383	1,381,526	606,292	9,506,922
High	479,968	-	272,190	316,500	1,068,658
Workout	85,000	-	-	89,408	174,408
Total	$ 12,007,125	$ 4,361,780	$ 7,854,253	$ 3,253,558	$ 27,476,716

2021 Risk	Housing	Community Facilities	Business	Early Care & Learning	Total
Low	$ 341,992	$ 33,277	$ 60,037	$ -	$ 435,306
Moderate	3,352,345	705,596	-	95,906	4,153,847
Average	4,313,848	-	5,172,764	2,412,500	11,899,112
Substantial	4,578,744	4,288,327	1,773,217	485,665	11,125,953
High	496,306	-	278,964	487,773	1,263,043
Workout	85,000	-	-	21,501	106,501
Total	$ 13,168,235	$ 5,027,200	$ 7,284,982	$ 3,503,345	$ 28,983,762

The following is an overview of The Fund's loan rating system:

1 Rating – Low Risk

At origination, loans will warrant a rating of "1" when the loan is fully secured by cash or other liquid securities. This also would apply to loans that are pre-funded with designated funds from outside entities and there is no risk of The Fund's capital. On a continuing basis, loans will warrant a rating of "1" only when the loan exhibits all of the following characteristics:

- Loan is current.
- Balance remains fully secured

2 Rating – Moderate Risk

At origination, loans will warrant a rating of "2" when the loan exhibits the following characteristics:

- The loan either has a strong collateral position with a discounted LTV of at least 80% or historical and projected cash flow provide debt service coverage of at least 1.3x.
- The loan officer believes there is very low risk of the loan going into default and very low risk of loss to The Fund.

NOTE 8 LOAN LOSS RESERVE (continued)

On a continuing basis, loans will warrant a rating of “2” when the loan exhibits the following characteristics:

- Loan payments are timely.
- Borrower's financial condition is stable (able to meet financial obligations).

3 Rating – Average Risk

At origination, loans will warrant a rating of “3” when the loan exhibits the following characteristics:

- Collateral coverage of the loan is sufficient with a discounted LTV of at least 100% but the liquidation value may be questionable.
- Cash flow coverage is sufficient with debt service coverage of at least 1.1x

On a continuing basis, loans will warrant a rating of “3” when the loan exhibits any of the following characteristics:

- Loan payments are frequently late.
- Borrower's financial condition is weak (having difficulty meeting financial obligations).
- Financial reports are irregular.

4 Rating – Substantial Risk

In general, the Business lending shall not seek to originate loans with a risk rating of “4”. On a continuing basis, loans will warrant a rating of “4” when the loan exhibits any of the following characteristics:

- Loan payments are frequently 30 days past due without good cause.
- Borrower's financial condition is weak (unable to meet financial obligations).
- Financial reports are non-existent without good cause.
- Evidence of fraud.
- Serious documentation deficiencies (i.e. insurance coverage).
- Workout is a consideration.

5 Rating – High Risk

Loans will warrant a rating of “5” when the loan exhibits the following characteristics:

- The loan officer believes there is a significant risk that the loan will remain non-performing.

NOTE 8 LOAN LOSS RESERVE (continued)

6 Rating – Workout

A loan will warrant a "6" rating when it is deemed that there is virtually no chance that a loan will be performing and it is either in foreclosure or going through a voluntary liquidation with the borrower. A loan will maintain this rating until it has been charged off.

The following table provides information with respect to loans individually assessed for impairment as of and for the year ended December 31:

2022	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Housing	$ 12,007,125	$ 12,007,125	$ 558,040	$ 12,587,679	$ 682,701
Community Facilities	4,361,780	4,361,780	188,976	4,694,490	258,927
Business	7,854,253	7,854,253	520,328	7,569,618	388,261
Early Care & Learning	3,253,558	3,253,558	306,187	3,378,452	176,265
Total	$ 27,476,716	$ 27,476,716	$ 1,573,531	$ 28,230,239	$ 1,506,154

2021	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Housing	$ 13,168,235	$ 13,168,235	$ 595,821	$ 13,994,105	$ 748,491
Community Facilities	5,027,200	5,027,200	225,333	5,023,508	287,263
Business	7,284,982	7,284,982	524,915	6,471,798	346,831
Child Care	3,503,345	3,503,345	391,830	3,201,889	194,950
Total	$ 28,983,762	$ 28,983,762	$ 1,737,899	$ 28,691,300	$ 1,577,535

For the years ended December 31, 2022 and 2021, $1,506,154 and $1,577,535 were recognized as interest income from the above loans.

As of December 31, 2022 and 2021, The Fund was not committed to lend any additional funds to borrowers whose loans were nonperforming, impaired or restructured.

NOTE 9 PLANT AND EQUIPMENT

The following is a summary of net plant and equipment at December 31, 2022 and 2021:

Fixed Assets	Gross Fixed Assets 12/31/22	Accumulated Depreciation 12/31/22	Net Book Value 12/31/22	Gross Fixed Assets 12/31/21	Accumulated Depreciation 12/31/21	Net Book Value 12/31/21
Furniture, Fixtures and Equipment	$ 298,315	$ 208,770	$ 89,545	$ 273,177	$ 174,900	$ 98,277
Leasehold Improvements	120,643	-	120,643	120,643	5,069	115,574
Total	$ 418,958	$ 208,770	$ 210,188	$ 393,820	$ 179,969	$ 213,851

NOTE 10 DEFERRED REVENUE

At December 31, 2022 and 2021, deferred revenue was $36,114 and $57,946 respectively.

NOTE 10 DEFERRED REVENUE (continued)

In late 2016, with start-up support from the State of Vermont's Working Lands Enterprise Initiative (WLEB), The Fund started the Sprout Deferred Payment Loan Program (Sprout) to help meet the financing needs of working land entrepreneurs who might not be eligible for a loan otherwise. The initial grant funding in 2016, as well as additional funding in 2018, from WLEB covers a portion of the loan interest. As of December 31, 2022 and 2021, there were 20 borrowers each year who were participating in the Sprout program.

Deferred revenue consists of remaining WLEB funds expected to be earned in subsequent years.

Deferred Revenue	2022	2021
WLEB	$ 36,114	$ 57,946
Less: Current Portion	(14,768)	(21,027)
Non-Current Portion	$ 21,346	$ 36,919

NOTE 11 LOANS PAYABLE

At December 31, 2022 and 2021, there were various loans payable. There were 713 loans at December 31, 2022, which varied in amount from $250 to $1,500,000 with maturity dates from January 15, 2023 to August 18, 2047 and with interest rates from 0% to 4% with a weighted average rate of 1.44%. The loans from USDA, totaling $4,856,099, are secured by a pledge of all assets now in the IRP and RMAP Revolving Funds, including cash and investments, notes receivable and the security interest in collateral pledged. Loans from the SBA, totaling $653,830, are secured by a pledge of all assets in the SBA Revolving Fund, including cash and investments, notes receivable and the security interest in collateral pledged. The remainder of the loans are unsecured. The loans payable balances at December 31, 2022 and 2021 were $33,273,067 and $34,308,800, respectively.

The following is a summary of loans payable at December 31, 2022 and 2021:

Loans Payable	2022	2021
Total Loans Payable	$ 33,273,067	$ 34,308,800
Less: Current Portion	(10,394,712)	(7,811,098)
Non-Current Portion	$ 22,878,355	$ 26,497,702

Maturities at December 31, 2022 are as follows:

2023	$ 10,394,712
2024	6,789,910
2025	3,846,585
2026	2,873,413
2027	1,841,115
Thereafter	7,527,332
	$ 33,273,067

NOTE 11 LOANS PAYABLE (continued)

Per its Bylaws, The Fund actively seeks out investors and members of the socially responsible investment community to serve as members of its Board of Directors. Consequently, during the course of business, investments may be accepted from individual Board members or from organizations of which current Board members of The Fund are significant employees or board directors. There are some loans payable that contain certain financial covenants.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2022	2021
Satisfaction of purpose restrictions		
Vermont Early Childhood Advocacy Alliance	$ 273,808	$ 228,116
Barre Area Revolving Loan Fund	1,971	1,954
Equipment Access Program	-	96,237
Vermont Housing Conservation Board for Mobile Home Subsidy Program - VHCB	6,000	-
Green Mountain Power	56,850	44,150
Mascoma Business Navigator	60,079	-
Interest Rate Subsidy - COVID program	24,869	-
Interest Rate Subsidy - SPROUT program	5,819	1,459
Racial Justice Contributions	48,301	97,549
Total releases from purpose restrictions	$ 477,697	$ 469,465

Net Assets with donor restrictions are restricted and summarized as follows as of December 31:

	2022		
Program Initiative	**Purpose Restricted**	**Perpetual in Nature**	**Total**
Program Activities:			
Vermont Early Childhood Advocacy Alliance	$ 281,716	$ -	$ 281,716
Racial Justice Programs	168,829	-	168,829
Total Program Activities	450,545	-	450,545
Financing Activities:			
Barre Area Revolving Loan Fund	196,244	-	196,244
Equipment Access Program	-	-	-
Northern Border Regional Commission	94,104	-	94,104
Philanthropic Interest Rate Subsidies - Racial Justice	164,118	-	164,118
Philanthropic Interest Rate Subsidies - Sprout Program	81,001	-	81,001
Philanthropic Interest Rate Subsidies - COVID Recovery	105,130	-	105,130
Vermont Housing Conservation Board for Mobile Home Subsidy Program - VHCB (now restricted to affordable housing)	-	140,907	140,907
USDA-RD Grants (three revolving funds), plus deposit interest	-	431,811	431,811
Economic Development Authority (EDA)	-	1,965,684	1,965,684
Total Financing Activities	640,597	2,538,402	3,178,999
Pass-Through:			
Green Mountain Power (GMP)	138,357	-	138,357
Total net assets with donor restrictions	$ 1,229,499	$ 2,538,402	$ 3,767,901

NOTE 13 PROGRAM IMPACT ON NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS

VERMONT EARLY CHILDHOOD ADVOCACY ALLIANCE EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

The Fund entered into a fiscal sponsor relationship with the Vermont Early Childhood Advocacy Alliance on November 22, 2013.

The Vermont Early Childhood Advocacy Alliance (VECAA) is an unincorporated coalition of individuals, organizations, businesses and agencies dedicated to supporting Vermont's children during their early years. The Alliance is committed to improving the early childhood experience in the areas of education/learning, safety, health, nutrition and economic security.

A fiscal sponsor describes a relationship in which an unincorporated group wishing to conduct charitable activities affiliates with an existing 501(c)(3) nonprofit with a compatible mission. The parent sponsor accepts the group as one of its programs, provides organizational support (accounting, HR, back-office, etc.). The fiscal sponsor is able to provide this support only to groups whose activities further the sponsor's mission and tax-exempt purpose. At a minimum the fiscal sponsor must:

- Retain control and discretion as to the use of any funds.
- Maintain records establishing that the funds were used for section 501(c)(3) purposes.
- Limit distributions to specific projects that are in furtherance of their own exempt purpose.

A 501(c)(3) organization acting as a fiscal sponsor that fails to conform to these requirements jeopardizes their own exempt status.

In preparation for beginning this relationship, The Fund revised and updated its charitable and tax-exempt purpose filing with the Vermont Secretary of State's office and filed Form 5768 with the IRS.

The original sponsorship agreement was entered into in 2013 and renewed in subsequent years. In 2018, the agreement was renewed to include a provision that the agreement will remain in effect until the relationship is terminated. The VECAA activities will be funded by grants and donations from interested foundations, agencies, corporations and individuals.

As of December 31, 2022 donor restricted net assets in the VECAA Fund were $281,716 and $299,623 at December 31, 2021.

RACIAL JUSTICE PROGRAM EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

The Fund received several philanthropic donations in 2020, 2021, and 2022 towards The Fund's initiatives surrounding racial justice. The goal of the racial justice program is to provide education internally as well as creating a Racial Justice Fund for lending. In 2021, the Justice Forward Fund was launched. As a part of this work, a Business Navigator was hired in 2021 to help coordinate partnerships in Chittenden County to increase The Fund's work with communities of color.

As of December 31, 2022 and December 31, 2021 donor restricted net assets in the Racial Justice program totaled $168,829 and $218,211, respectively for program activities.

NOTE 13 PROGRAM IMPACT ON NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS (continued)

BARRE AREA REVOLVING LOAN FUND EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

The Fund received a capital grant from the Barre Area Revolving Loan Fund (BRLF) in 2015 to provide loans to businesses in the Town and City of Barre, VT. This revolving loan fund was capitalized with $257,245 received in cash. The Fund charged 8% of deposited funds to establish a segregated loan fund to manage the BRLF. Annually, The Fund will charge a 1% asset management fee to fund operations of the BRLF. The Fund will retain the interest from loans and cash on deposit.

As of December 31, 2022, the donor restricted net assets were $196,244 and $198,215 at December 31, 2021.

NORTHERN BORDERS REGIONAL COMMISSION EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

In 2019, The Fund received a $250,000 capital grant from the Northern Borders Regional Commission (NBRC) to provide loans to small business owners and entrepreneurs at work in Vermont's working lands, forestry, and outdoor recreation sectors. The Fund will provide matching funds in the revolving fund using other sources of capital. In 2022, the grant period was extended to September 30, 2023.

As of December 31, 2022 and December 31, 2021, the donor restricted net assets were $94,104 and $93,250, respectively.

PHILANTHROPIC INTEREST RATE SUBSIDIES EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

In 2021 and 2020, The Fund received several philanthropic donations intended to subsidize interest rates for various lending programs, including a replenishment of interest subsidy related to the Sprout program, funding towards the Justice Forward Fund, as well as a subsidy dedicated to helping borrowers impacted by the COVID-19 pandemic.

As of December 31, 2022 and December 31, 2021, the donor restricted net assets were $350,249 and $353,935, respectively.

GMP FUNDS EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

In 2004, The Fund established the Green Mountain Power Renewable Development Fund (RDF). In 2008, The Fund established the Green Mountain Power Combined Heat and Power Fund (CHP). In 2015, the Funds of the CHP Fund were consolidated with the RDF Fund. In 2016 and prior years, both funds have received grants which increased the net assets in The Fund. Net assets in the funds will decrease in subsequent years as The Fund sub-grants the capital to eligible renewable energy projects.

Donor restricted net assets for the RDF and CHP as of December 31, 2022 and 2021 are $138,357 and $194,925 respectively.

NOTE 13 PROGRAM IMPACT ON NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS (continued)

ECONOMIC DEVELOPMENT AUTHORITY EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

The Fund received a capital grant from the Economic Development Authority (EDA) in 2014 to provide loans to businesses in the six northern most counties of Vermont – Caledonia, Essex, Franklin, Grand Isle, Lamoille and Orleans. This revolving loan fund was capitalized with $526,007 received in cash and $180,393 in loans from the former holder of the grant. In addition, The Fund was required to contribute $231,500 in equity. The Net Asset Transfer was comprised of three performing loans with cumulative balances of $230,337 and $1,163 in cash.

In 2021, under the Reinvigorating Lending for the Future Act, the EDA released its federal interest in the capital grant. Per the terms of the released agreement, the funds associated with this grant are to continue as a revolving loan fund and the EDA reserves the right to inquire. The funds associated with this capital grant will remain restricted.

The Fund was awarded a $960,000 capital grant in 2020 to provide loans to businesses impacted by the COVID-19 pandemic located in the six northern most counties of Vermont – Caledonia, Essex, Franklin, Grand Isle, Lamoille and Orleans. In 2021, all funds were drawn from the EDA for deployment to nine (9) borrowers. In 2022, $42,000 from an associated technical assistance grant were shifted in the revolving loan fund for a total of $1,002,000. The additional funds were deployed to two (2) additional borrowers.

As of December 31, 2022, the total donor restricted net assets in the EDA were $1,965,684 and $1,923,521 at December 31, 2021.

NEXT GENERATION FUND EFFECT ON NET ASSETS WITHOUT DONOR RESTRICTIONS

The Next Generation Fund (NGF) was created by The Fund late in 2013 in order to create a self-sustaining pool of loan capital to support its child care programs. The Fund is intended to provide technical assistance and lower cost loans to early care and learning borrowers, through low interest rate bearing investments, permanent capital grants and capacity building grants. The Fund contributed $250,000 unrestricted equity to the NGF. As of December 31, 2022 The Fund has twenty-one (21) investors, including the Office of the Treasurer State of Vermont, totaling approximately $1.125 million with approximately $894,000 in loans receivable to seven (7) borrowers.

As of December 31, 2022, the unrestricted net assets in the NGF were $205,750 and $211,086 at December 31, 2021.

NOTE 13 PROGRAM IMPACT ON NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS (continued)

FOOD, FARMS & FOREST FUND EFFECT ON NET ASSETS WITHOUT DONOR RESTRICTIONS

The Food, Farms & Forest Fund (FFF) was created by The Fund in late 2015 in order to create a self-sustaining pool of loan capital to support its food, farm and forest programs. The Fund is intended to provide technical assistance and lower cost loans to food, farm and forest borrowers, through low interest rate bearing investments, permanent capital grants and capacity building grants. As of December 31, 2022 the FFF had sixty (60) investors totaling approximately $2.0 million in loans payable and has approximately $1.337 million in loans receivable to twenty-six (26) borrowers.

As of December 31, 2022, the unrestricted net deficits in the FFF were $(53,463) and $(30,878) as of December 31, 2021.

NOTE 14 BORROWER DEPOSITS

The Fund held cash balances of $141,060 and $341,090 for one (1) and two (2) borrowers as of December 31, 2022 and 2021, respectively. The deposits are available to cover any shortfalls in debt repayments.

NOTE 15 403(b) RETIREMENT PLAN

The Fund's 403(b) Plan consists of an Elective Employee Deferral, an employer Match of the Participants' Elective Deferral and a Discretionary Employer Contribution. The Elective Employee Deferral allows each Participant to defer the maximum percentage of Compensation or dollar amount permissible under Code §402(g), not to exceed the limits of Code §§403(b), 404, 414(v) and 415. The Fund matches 100% of the Participants' Elective Deferrals up to a maximum of 2.5%. The Discretionary Employer Contribution is allocated as a percentage of compensation of the eligible Participants for the Plan Year. The Discretionary Contribution was 2.5% in 2022 and 2021. Pension expense for the years ended December 31, 2022 and 2021 was $54,539 and $51,720, respectively.

NOTE 16 FINANCING COMMITMENTS

The Fund was approved for loans from Community National Bank and M&T Bank (formerly People's United Bank) in 2009, TD Bank in 2012, Bank of America in 2018, as well as the Small Business Administration (SBA) in 2022. The Bank of America investment was repaid and closed in 2022. Each other loan has been renewed at successive maturity since then, if applicable.

NOTE 16 FINANCING COMMITMENTS (continued)

At December 31, 2022, The Fund had $1,161,888 in financing available.

Financing Commitments	Rate	Term (Yrs)	Financing Amount	2022 Outstanding Balance	Available Balance	2021 Outstanding Balance
M&T Bank Line of Credit (LOC)	Variable	1	$ 500,000	-	$ 500,000	-
TD Bank LOC	Variable	1	500,000	-	$ 500,000	-
Bank of America	2.500%	8	2,000,000	-	$ -	2,000,000
SBA	0.000%	10	500,000	338,112	$ 161,888	-
Total			$ 3,500,000	$ 338,112	$ 1,161,888	$ 2,000,000

NOTE 17 OPERATING LEASE AGREEMENT

In 2021, The Fund entered into a ten (10) year lease agreement with Malone 118 Main street Montpelier Properties, LLC to rent office space. The lease agreement included a security deposit of $4,308. Rental expense for the years ended December 31, 2022 and 2021 was $63,484 and $62,240, respectively.

In 2022, The Fund adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. Under ASC 842, A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassess its determination if the terms and conditions of the contract are changed. The allocation of consideration in the contract is recognized straight-line over the term of the lease. A discount rate of 4.50% was used to determine present value. The adoption of the standard resulted in an increase in operating right-of-use asset of $544,934 and an increase in lease liability of $544,934.

At December 31, 2022 the right-of-use asset and lease liability were $497,342 and 504,501, respectively.

A schedule by years of minimum future rentals on the operating lease and the decrease of the net present value (NPV) of the lease liability are as follows:

Year	Rent Expense	Right-of-Use Asset Balance at Dec 31	NPV of Lease Liability Balance at Dec 31
2023	$ 65,071	$ 447,829	$ 460,560
2024	66,698	396,357	413,032
2025	68,365	342,649	361,601
2026	70,074	286,585	306,105
2027	71,826	227,981	246,318
2028	73,622	166,673	182,030
2029	75,462	102,398	112,936
2030	77,349	34,969	38,799
2031	39,152	-	-
Total	$ 607,619		

NOTE 17 OPERATING LEASE AGREEMENT (continued)

At renewal, The Fund has the option to extend the lease for two (2) additional five (5) year terms.

NOTE 18 SUBSEQUENT EVENTS

In accordance with accounting standards, the Fund has evaluated subsequent events through February 23, 2023, which is the date of these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022, have been incorporated into these basic financial statements herein.

SUPPLEMENTARY INFORMATION

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE OF FINANCIAL POSITION
December 31, 2022

Schedule 1

ASSETS	Operating Fund	GMP CVPS RDF/CHP Fund	VECAA Fund	Unrestricted Fund	Agri Tourism Fund	Intermediary Relending Program 29 Fund	Intermediary Relending Program 30 Fund	Intermediary Relending Program 31 Fund	SBA Fund	RMAP Fund	EDA Fund	EDA CARES Fund	Barre Revolving Loan Fund	NBRC Fund	Food, Farms, and Forest Fund	Next Generation Fund	Elimination	Total
CURRENT ASSETS																		
Cash and Cash Equivalents	$ 1,029,835	$ 138,357	$ 309,977	$ 6,101,708	$ 91,835	$ 994,418	$ 253,051	$ 528,547	$ 316,407	$ 143,349	$ 286,730	$ 106,387	$ 163,698	$ 9,260	$ 683,952	$ 472,956	$ -	$ 11,630,467
Investments - Certificates of Deposit	-	-	-	1,770,679	-	180,859	-	-	-	-	-	-	-	-	-	-	-	1,951,538
Investments	353,365	-	-	2,761,526	-	-	-	-	-	-	-	-	-	-	-	-	-	3,114,891
Other Receivables-Current Portion	65,838	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,838
Loans Receivable - Current Portion	-	-	-	4,768,170	80,007	360,181	200,577	161,129	117,657	45,748	158,962	215,185	8,029	19,925	313,540	209,734	-	6,658,844
Accrued Interest Receivable	-	-	-	163,253	649	8,217	3,504	2,978	1,360	504	1,579	145	100	426	3,835	15,022	-	201,572
Prepaid Expenses	40,210	-	4,224	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,434
Due from Other Programs	141,405	-	-	-	-	550,450	4,870	2,747	9,210	4,547	-	-	-	-	-	-	(713,229)	-
TOTAL CURRENT ASSETS	1,630,653	138,357	314,201	15,565,336	172,491	2,094,125	462,002	695,401	444,634	194,148	447,271	321,717	171,827	29,611	1,001,327	697,712	(713,229)	23,667,584
NON-CURRENT ASSETS																		
Investments - Long-Term Portion	-	-	-	8,178,590	-	-	-	-	-	-	-	-	-	-	-	-	-	8,178,590
Loans Receivable - Long-Term Portion	-	-	-	14,649,032	261,046	1,175,188	654,438	525,725	383,889	149,266	518,658	702,097	26,198	65,013	1,023,009	684,313	-	20,817,872
Lease - Right to Use Asset	497,342	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	497,342
Security Deposits	4,308	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,308
Reserve for Loan Losses	-	-	-	(1,142,326)	(13,642)	(97,957)	(37,074)	(27,509)	(35,900)	(12,444)	(63,504)	(40,695)	(1,369)	(3,398)	(53,462)	(44,251)	-	(1,573,531)
Net Property, Plant and Equipment	210,188	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	210,188
TOTAL NON-CURRENT ASSETS	711,838	-	-	21,685,296	247,404	1,077,231	617,364	498,216	347,989	136,822	455,154	661,402	24,829	61,615	969,547	640,062	-	28,134,769
TOTAL ASSETS	$ 2,342,491	$ 138,357	$ 314,201	$ 37,250,632	$ 419,895	$ 3,171,356	$ 1,079,366	$ 1,193,617	$ 792,623	$ 330,970	$ 902,425	$ 983,119	$ 196,656	$ 91,226	$ 1,970,874	$ 1,337,774	$ (713,229)	$ 51,802,353
LIABILITIES AND NET ASSETS																		
CURRENT LIABILITIES																		
Accounts Payable	$ 22,675	$ -	$ 1,723	$ 2,502	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,900
Accrued Liabilities	67,119	-	10,901	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78,020
Borrower Deposits	-	-	-	141,060	-	-	-	-	-	-	-	-	-	-	-	-	-	141,060
Accrued Interest Payable	-	-	-	180,403	-	12,688	8,447	3,578	2,655	17	-	-	-	-	14,773	3,956	-	226,517
Due to Other Programs	-	-	19,861	659,741	920	-	-	-	-	-	2,670	21,390	1,782	520	3,229	3,116	(713,229)	-
Deferred Revenue - Current Portion	-	-	-	14,768	-	-	-	-	-	-	-	-	-	-	-	-	-	14,768
Lease Liability - Current Portion	65,071	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,071
Loans Payable - Current Portion	-	-	-	9,622,553	-	217,782	33,740	32,802	106,566	21,523	-	-	-	-	236,717	123,029	-	10,394,712
TOTAL CURRENT LIABILITIES	154,865	-	32,485	10,621,027	920	230,470	42,187	36,380	109,221	21,540	2,670	21,390	1,782	520	254,719	130,101	(713,229)	10,947,048
NON-CURRENT LIABILITIES																		
Deferred Revenue - Long-Term	-	-	-	21,346	-	-	-	-	-	-	-	-	-	-	-	-	-	21,346
Lease Liability	439,430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	439,430
Loans Payable - Long-Term	-	-	-	15,009,299	-	2,473,890	839,737	934,747	547,265	301,876	-	-	-	-	1,769,618	1,001,923	-	22,878,355
TOTAL NON-CURRENT LIABILITIES	439,430	-	-	15,030,645	-	2,473,890	839,737	934,747	547,265	301,876	-	-	-	-	1,769,618	1,001,923	-	23,339,131
TOTAL LIABILITIES	594,295	-	32,485	25,651,672	920	2,704,360	881,924	971,127	656,486	323,416	2,670	21,390	1,782	520	2,024,337	1,132,024	(713,229)	34,286,179
NET ASSETS																		
Without Donor Restrictions	1,229,118	-	-	11,458,053	(12,836)	466,996	197,442	222,490	136,137	7,554	(63,505)	(40,695)	(1,370)	(3,398)	(53,463)	205,750	-	13,748,273
With Donor Restrictions	519,078	138,357	281,716	140,907	431,811	-	-	-	-	-	963,260	1,002,424	196,244	94,104	-	-	-	3,767,901
TOTAL NET ASSETS	1,748,196	138,357	281,716	11,598,960	418,975	466,996	197,442	222,490	136,137	7,554	899,755	961,729	194,874	90,706	(53,463)	205,750	-	17,516,174
TOTAL LIABILITIES AND NET ASSETS	$ 2,342,491	$ 138,357	$ 314,201	$ 37,250,632	$ 419,895	$ 3,171,356	$ 1,079,366	$ 1,193,617	$ 792,623	$ 330,970	$ 902,425	$ 983,119	$ 196,656	$ 91,226	$ 1,970,874	$ 1,337,774	$ (713,229)	$ 51,802,353

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE OF ACTIVITIES
December 31, 2022

Schedule 2

	Operating Fund	GMP CVPS RDF/CHP Fund	VECAA Fund	Unrestricted Fund	Agri Tourism Fund	Intermediary Relending Program 29 Fund	Intermediary Relending Program 30 Fund	Intermediary Relending Program 31 Fund	SBA Fund	RMAP Fund	EDA Fund	EDA CARES Fund	Barre Revolving Loan Fund	NBRC Fund	Food, Farms, and Forest Fund	Next Generation Fund	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS																	
Revenue and Support																	
Contributions	$ 118,340	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 118,340
Grants	274,295	-	-	500,000	-	-	-	-	-	-	-	-	-	-	-	-	774,295
Financing Charges	89,015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89,015
Loan Interest	-	-	-	1,107,780	9,401	133,588	38,898	50,034	19,505	9,911	26,900	49	2,491	4,642	55,094	46,926	1,505,219
Net Investment Income	2,081	-	-	142,225	-	2,632	685	661	422	286	740	-	224	-	1,430	1,060	152,446
Other Income	24,515	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,515
Net Assets Released from Restrictions	139,068	56,850	273,808	6,000	-	-	-	-	-	-	-	-	1,971	-	-	-	477,697
Total Unrestricted Revenue and Support	647,314	56,850	273,808	1,756,005	9,401	136,220	39,583	50,695	19,927	10,197	27,640	49	4,686	4,642	56,524	47,986	3,141,527
Expenses:																	
Program Services	1,295,170	56,850	273,808	365,474	4,833	(18,332)	10,798	3,957	21,120	9,798	13,550	4,097	589	4,513	54,809	23,445	2,124,479
Management and General	453,012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	453,012
Fundraising	100,290	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,290
Total Expenses	1,848,472	56,850	273,808	365,474	4,833	(18,332)	10,798	3,957	21,120	9,798	13,550	4,097	589	4,513	54,809	23,445	2,677,781
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE TRANSFERS	(1,201,158)	-	-	1,390,531	4,568	154,552	28,785	46,738	(1,193)	399	14,090	(4,048)	4,097	129	1,715	24,541	463,746
Transfers	1,131,208	-	-	(864,892)	(9,401)	(108,176)	(30,837)	(40,692)	10,863	(3,541)	(27,640)	-	(2,715)	-	(24,300)	(29,877)	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(69,950)	-	-	525,639	(4,833)	46,376	(2,052)	6,046	9,670	(3,142)	(13,550)	(4,048)	1,382	129	(22,585)	(5,336)	463,746
NET ASSETS WITHOUT DONOR RESTRICTIONS- January 1, 2022	1,299,068	-	-	10,932,414	(8,003)	420,620	199,494	216,444	126,467	10,696	(49,955)	(36,647)	(2,752)	(3,527)	(30,878)	211,086	13,284,527
NET ASSETS WITHOUT DONOR RESTRICTIONS - December 31, 2022	$ 1,229,118	$ -	$ -	$ 11,458,053	$ (12,836)	$ 466,996	$ 197,442	$ 222,490	$ 136,137	$ 7,554	$ (63,505)	$ (40,695)	$ (1,370)	$ (3,398)	$ (53,463)	$ 205,750	$ 13,748,273
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS																	
Contributions	$ 86,000	$ -	$ 20,901	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 106,901
Grants	-	-	235,000	-	-	-	-	-	-	-	-	42,000	-	-	-	-	277,000
Net Investment Income	-	282	-	-	170	-	-	-	-	-	-	67	-	15	-	-	534
Net Loan Interest Income	-	-	-	-	-	-	-	-	-	-	-	96	-	839	-	-	935
Net Assets Released from Restrictions	(139,068)	(56,850)	(273,808)	(6,000)	-	-	-	-	-	-	-	-	(1,971)	-	-	-	(477,697)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(53,068)	(56,568)	(17,907)	(6,000)	170	-	-	-	-	-	-	42,163	(1,971)	854	-	-	(92,327)
NET ASSETS WITH DONOR RESTRICTIONS- January 1, 2022	572,146	194,925	299,623	146,907	431,641	-	-	-	-	-	963,260	960,261	198,215	93,250	-	-	3,860,228
NET ASSETS WITH DONOR RESTRICTIONS - December 31, 2022	$ 519,078	$ 138,357	$ 281,716	$ 140,907	$ 431,811	$ -	$ -	$ -	$ -	$ -	$ 963,260	$ 1,002,424	$ 196,244	$ 94,104	$ -	$ -	$ 3,767,901