

Vermont Community Loan Fund, Inc.

FINANCIAL STATEMENTS

December 31, 2017

Vermont Community Loan Fund, Inc.  
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**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

We have audited the accompanying financial statements of Vermont Community Loan Fund, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2017, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental 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.

*Kathell Brannigan ? Barakat*

St. Albans, Vermont  
April 11, 2018

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

<u>ASSETS</u>		<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents - Note 2	\$	8,008,558	\$ 8,416,381
Investments - Note 3 and 4		2,525,011	2,490,777
Other Receivables - Current Portion - Note 5		24,109	969,376
Loans Receivable - Current Portion - Note 6		7,305,705	7,317,860
Equipment Lease Receivable - Current Portion - Note 8		10,721	7,618
Accrued Interest Receivable		125,751	128,534
Prepaid Expenses		<u>24,377</u>	<u>20,918</u>
<b>TOTAL CURRENT ASSETS</b>		<u>18,024,232</u>	<u>19,351,464</u>
<b>NON-CURRENT ASSETS</b>			
Loans Receivable - Long-Term Portion - Note 6		22,954,025	20,489,627
Equipment lease Receivable - Long-Term Portion - Note 8		19,858	18,244
Reserve for Loan Losses - Note 7		(1,805,760)	(1,781,236)
Plant and Equipment - (Net of Accumulated Depreciation) - Note 9		<u>57,178</u>	<u>7,737</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>21,225,301</u>	<u>18,734,372</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>39,249,533</u></b>	<b>\$ <u>38,085,836</u></b>
<u>LIABILITIES AND NET ASSETS</u>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$	17,147	\$ 24,567
Accrued Liabilities		52,199	63,528
Accrued Interest Payable		182,939	179,728
Deferred Revenue - Current Portion - Note 10		14,933	-
Loans Payable - Current Portion - Note 11		<u>9,060,483</u>	<u>6,768,519</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>9,327,701</u>	<u>7,036,342</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred Revenue - Long-Term - Note 10		79,457	99,978
Loans Payable - Long-Term - Note 11		<u>19,101,135</u>	<u>20,251,188</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>19,180,592</u>	<u>20,351,166</u>
<b>TOTAL LIABILITIES</b>		<u>28,508,293</u>	<u>27,387,508</u>
<b>NET ASSETS</b>			
Unrestricted		8,372,597	8,182,167
Temporarily Restricted - Note 12		846,489	999,917
Permanently Restricted - Note 12		<u>1,522,154</u>	<u>1,516,244</u>
<b>TOTAL NET ASSETS</b>		<u>10,741,240</u>	<u>10,698,328</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>39,249,533</u></b>	<b>\$ <u>38,085,836</u></b>

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,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>								
Contributions	\$ 207,399	\$ 40,563	\$ -	\$ 247,962	\$ 83,758	\$ 190,213	\$ -	\$ 273,971
Grants	482,325	259,000	-	741,325	1,069,191	298,850	-	1,368,041
Financing Charges	116,840	-	-	116,840	55,986	-	-	55,986
Loan Interest	1,594,186	-	4,051	1,598,237	1,615,310	-	1,687	1,616,997
Net Investment Income	51,596	1,072	1,859	54,527	44,651	357	1,883	46,891
Recovery of Bad Debt and Foreclosure Expenses	57,834	-	-	57,834	256,460	-	1,500	257,960
Other Income	47,023	4,010	-	51,033	42,831	3,029	-	45,860
Net Assets Released from Restrictions - Note 12	458,073	(458,073)	-	-	357,665	(351,665)	(6,000)	-
<b>TOTAL REVENUE</b>	<b>3,015,276</b>	<b>(153,428)</b>	<b>5,910</b>	<b>2,867,758</b>	<b>3,525,852</b>	<b>140,784</b>	<b>(930)</b>	<b>3,665,706</b>
<b>EXPENSES</b>								
Program Services	2,360,334	-	-	2,360,334	2,326,289	-	-	2,326,289
Management and General	381,619	-	-	381,619	357,247	-	-	357,247
Fundraising	82,893	-	-	82,893	82,747	-	-	82,747
<b>TOTAL EXPENSES</b>	<b>2,824,846</b>	<b>-</b>	<b>-</b>	<b>2,824,846</b>	<b>2,766,283</b>	<b>-</b>	<b>-</b>	<b>2,766,283</b>
<b>CHANGES IN NET ASSETS</b>	<b>190,430</b>	<b>(153,428)</b>	<b>5,910</b>	<b>42,912</b>	<b>759,569</b>	<b>140,784</b>	<b>(930)</b>	<b>899,423</b>
<b>NET ASSETS - January 1,</b>	<b>8,182,167</b>	<b>999,917</b>	<b>1,516,244</b>	<b>10,698,328</b>	<b>7,422,598</b>	<b>859,133</b>	<b>1,517,174</b>	<b>9,798,905</b>
<b>NET ASSETS - December 31,</b>	<b>\$ 8,372,597</b>	<b>\$ 846,489</b>	<b>\$ 1,522,154</b>	<b>\$ 10,741,240</b>	<b>\$ 8,182,167</b>	<b>\$ 999,917</b>	<b>\$ 1,516,244</b>	<b>\$ 10,698,328</b>

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, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 30,786	\$ -	\$ 30,786
Bank Charges	7,931	3,399	-	11,330
Board and Committee Expense	1,211	727	484	2,422
Computer Supplies	3,690	984	246	4,920
Consultants	65,786	28,194	-	93,980
Depreciation	10,693	2,851	713	14,256
Dues and Publications	4,713	1,257	314	6,284
Foreclosure Expense	30,513	-	-	30,513
Fiscal Sponsor Admin Fees	14,571	-	-	14,571
Grant Administrative Expenses	25,607	-	-	25,607
Insurance	11,887	3,170	792	15,849
Interest Expense	458,194	-	-	458,194
Legal	6,164	18,491	-	24,655
Loan Service Fees	15,755	-	-	15,755
Marketing and Communications	33,522	-	3,725	37,247
Provision for Loan Losses - Note 7	307,600	-	-	307,600
Occupancy Costs	61,164	16,311	4,078	81,553
Office Supplies	6,767	1,804	451	9,022
Outreach	32,307	-	3,590	35,897
Personnel Costs	981,872	261,833	65,458	1,309,163
Postage	2,107	1,053	351	3,511
Repairs and Maintenance	2,006	535	134	2,675
Staff Enrichment	3,159	843	211	4,213
Telephone	10,097	2,692	673	13,462
Training	4,317	1,151	288	5,754
Transportation	15,446	4,119	1,030	20,595
Travel	5,322	1,419	355	7,096
Pass Through Grant Expense	<u>237,933</u>	<u>-</u>	<u>-</u>	<u>237,933</u>
 TOTAL	 <u>\$ 2,360,334</u>	 <u>\$ 381,619</u>	 <u>\$ 82,893</u>	 <u>\$ 2,824,846</u>

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, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 33,143	\$ -	\$ 33,143
Bank Charges	6,362	2,726	-	9,088
Board and Committee Expense	2,411	1,447	965	4,823
Computer Supplies	2,947	786	197	3,930
Consultants	45,793	19,625	-	65,418
Depreciation	3,118	831	208	4,157
Dues and Publications	5,702	1,521	380	7,603
Employee Search & Relocation Exp	-	2,918	-	2,918
Foreclosure Expense	33,397	-	-	33,397
Fiscal Sponsor Admin Fees	16,395	-	-	16,395
Grant Administrative Expenses	20,036	-	-	20,036
Insurance	10,106	2,695	674	13,475
Interest Expense	415,226	-	-	415,226
Legal	1,348	4,042	-	5,390
Loan Service Fees	17,199	-	-	17,199
Marketing and Communications	46,696	-	5,188	51,884
Provision for Loan Losses - Note 7	461,901	-	-	461,901
Occupancy Costs	60,051	16,014	4,003	80,068
Office Supplies	4,925	1,313	328	6,566
Outreach	28,592	-	3,177	31,769
Personnel Costs	965,587	257,490	64,372	1,287,449
Postage	1,934	968	323	3,225
Repairs and Maintenance	1,708	456	114	2,278
Staff Enrichment	2,421	646	161	3,228
Telephone	9,938	2,650	663	13,251
Training	3,567	951	238	4,756
Transportation	19,498	5,200	1,300	25,998
Travel	6,846	1,825	456	9,127
Pass Through Grant Expense	132,585	-	-	132,585
<b>TOTAL</b>	<u>\$ 2,326,289</u>	<u>\$ 357,247</u>	<u>\$ 82,747</u>	<u>\$ 2,766,283</u>

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,

	<u>2017</u>	<u>2016</u>
INCREASE/(DECREASE) IN CASH		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 42,912	\$ 899,423
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation Expense	14,256	4,157
Loans Receivable Charged Off	283,076	459,569
Change in Provision for Loan Losses	24,524	2,331
(Increase)/Decrease in:		
Prepaid Expenses	(3,459)	(10,125)
Other Receivable	945,267	(154,387)
Increase/(Decrease) in:		
Accounts Payable	(7,420)	5,722
Accrued Liabilities	(11,329)	8,301
Deferred revenue	(5,588)	99,978
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,282,239</u>	<u>1,314,969</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease/(Increase) in Investments	(34,234)	(33,590)
(Purchase) or Sale of Leasehold Improvements and Equipment	(63,697)	(6,682)
Principal Advances on Loans Receivable	(8,840,358)	(3,317,719)
Principal Payments on Loans Receivable	6,105,040	3,423,666
Principal Advances on Equipment Lease Receivable	(37,173)	-
Principal Payments on Equipment Lease Receivable	32,455	7,174
Decrease/(Increase) in Accrued Interest Receivable	2,783	6,183
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(2,835,184)</u>	<u>79,032</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) in Accrued Interest Payable	3,211	642
Proceeds from additional Loans Payable	2,968,980	2,498,082
Principal Payments to Loans Payable	(1,827,069)	(1,174,593)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>1,145,122</u>	<u>1,324,131</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(407,823)</b>	<b>2,718,132</b>
CASH - January 1,	<u>8,416,381</u>	<u>5,698,249</u>
CASH - December 31,	<u>\$ 8,008,558</u>	<u>\$ 8,416,381</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid to investors	<u>\$ 458,279</u>	<u>\$ 415,661</u>

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

Vermont Community Loan Fund, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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	3 Years
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.

Unrestricted Net Assets

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.

Temporarily Restricted Net Assets

These assets result from contributions and other inflows of assets whose use by the Fund is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Fund. Restrictions released within one operating period are reported as unrestricted.

Permanently Restricted Net Assets

These assets result from contributions restricted to funding lending in perpetuity. The income on these funds is expendable for operations.

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.

Vermont Community Loan Fund, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 and 2016 totaled \$10,533,569 and \$10,907,158, respectively.

<i>Cash and CDs</i>	<i>2017</i>	<i>2016</i>
Insured/(FDIC/NCUA)	\$ 1,904,306	\$ 1,800,029
Collateralized - Treasury	2,842,992	2,607,745
Collateralized - Pool	4,321,023	5,078,782
Uninsured/Uncollateralized	1,465,248	1,420,602
Total	\$ 10,533,569	\$ 10,907,158

Vermont Community Loan Fund, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 2 CASH AND CERTIFICATES OF DEPOSIT (continued)

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 \$3,465,872 and \$2,860,554 at December 31, 2017 and 2016, respectively.

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

<i>Cash and CDs</i>	<i>2017</i>	<i>2016</i>
Cash	\$ 8,008,558	\$ 8,416,381
Investments- Certificates of Deposit	2,525,011	2,490,777
Total	\$ 10,533,569	\$ 10,907,158

NOTE 3 INVESTMENTS

At December 31, 2017 and 2016, the Fund had no Investments in U.S. Government Agency Obligations. The Fund held certificates of deposit of \$2,525,011 and \$2,490,777, respectively, as indicated in the table above. Investments are carried at cost or amortized cost and the difference between cost and market value is immaterial.

NOTE 4 CASH AND INVESTMENT RESERVES

At December 31, 2017 and 2016, the Fund had cash and investments of \$10,533,569 and \$10,907,158, respectively. The Fund reserves a portion of this money for various purposes. The following is a breakdown of these reserves.

<i>Type of Reserve</i>	<i>2017</i>	<i>2016</i>
Cash Reserved for GMP & GMPCHP	\$ 298,385	\$ 313,125
Cash Reserved for VECA	199,863	189,810
Cash Reserved for Loan Commitments & Undisbursed		
Closed Loans	2,937,505	2,903,603
Cash Reserved for Loan Loss & Liquidity	4,070,881	3,921,812
Available Cash - Undesignated (Operating)	798,523	780,629
Available Cash - for Lending	2,228,412	2,798,179
Total Cash	\$ 10,533,569	\$ 10,907,158

At December 31, 2017, the Available Cash – for Lending excludes unused lines of credit totaling \$1,500,000, \$750,000 from an USDA Rural Development (IRP 31) loan that was committed and closed in 2017 with \$250,000 drawn as of December 31, 2017. In addition, there is \$100,000 from an USDA Rural Development (RMAP) loan that was committed and closed in 2016 with \$300,000 drawn as of December 31, 2017.

Vermont Community Loan Fund, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 5 OTHER RECEIVABLES

At December 31, 2017 and 2016, the Fund had other receivables of \$24,109 and \$969,376, respectively. Other grants receivable are comprised of grants which will be received in 2018.

<i>Other Receivables</i>	<i>2017</i>	<i>2016</i>
CDFI Grant	\$ -	\$ 914,673
USDA (RMAP) Technical Assistance Grant	561	2,932
SBA Technical Assistance Grant	23,548	51,771
Total	\$ 24,109	\$ 969,376

NOTE 6 LOANS RECEIVABLE

At December 31, 2017 and 2016, there were 223 and 225 loans receivable, respectively. The loan balances at December 31, 2017 vary in amount from \$629 to \$2,300,000 with maturity dates ranging from January 31, 2018 to December 1, 2041 and with interest rates from 0% to 11.25% with a weighted average rate of 5.56%. Security interests vary from loan guarantees and senior and junior mortgages to personal and business property. Total loans receivable at December 31, 2017 and 2016 were \$30,259,730 and \$27,807,487, respectively.

<i>Loans Receivable</i>	<i>2017</i>	<i>2016</i>
Loans Current, Per Terms of Loan	\$ 29,455,230	\$ 26,531,438
Loans Delinquent, 31-90 Days	267,545	375,275
Non-Performing Loans	536,955	900,774
Total	30,259,730	27,807,487
Less: Current Portion	(7,305,705)	(7,317,860)
Non-Current Portion	\$ 22,954,025	\$ 20,489,627

Maturities of Loans Receivable at December 31, 2017 are as follows:

2018	\$ 7,305,705
2019	5,079,640
2020	5,594,732
2021	2,486,244
2022	4,998,996
Thereafter	<u>4,794,413</u>
Total	<u>\$ 30,259,730</u>

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, 2017 and 2016 the guaranteed principal balance was \$414,333 and \$438,645, respectively. The total outstanding balances for these loans as of December 31, 2017 and 2016 were \$512,274 and \$541,325, respectively.

Vermont Community Loan Fund, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 6 LOANS RECEIVABLE (continued)

At December 31, 2017 and 2016, 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. This 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, 2017 and 2016, 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. This 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, 2017 and 2016, 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 Vermont Community Loan Fund, Inc. actively seeks out community-based nonprofit 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, 2017 and 2016, there were twenty-seven (27) and twenty-one (21) outstanding loan commitments and loans not fully disbursed totaling \$2,937,505 and \$2,903,603, respectively.

NOTE 7 LOAN LOSS RESERVE

The Vermont Community Loan Fund, Inc. 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, 2017 and 2016 are \$1,805,760 and \$1,781,236, respectively.

Vermont Community Loan Fund, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 7 LOAN LOSS RESERVE (continued)

Changes in the loan loss reserve for the year ended December 31, 2017 were as follows:

2017	Housing	Community Facilities	Business	Child Care	Total
Balance Dec 31, 2016	\$ 576,062	\$ 164,989	\$ 604,264	\$ 435,921	\$ 1,781,236
Provision for Loan Losses	(3,837)	113,977	66,444	73,182	249,766
Recoveries of amounts charged off	-	-	8,920	48,914	57,834
	572,225	278,966	679,628	558,017	2,088,836
Amounts Charged off	-	-	(25,611)	(257,465)	(283,076)
Balance Dec 31, 2017	\$ 572,225	\$ 278,966	\$ 654,017	\$ 300,552	\$ 1,805,760

Changes in the loan loss reserve for the year ended December 31, 2016 were as follows:

2016	Housing	Community Facilities	Business	Child Care	Total
Balance Dec 31, 2015	\$ 507,193	\$ 169,755	\$ 829,660	\$ 272,297	\$ 1,778,905
Provision for Loan Losses	74,869	(4,766)	(20,987)	154,824	203,940
Recoveries of amounts charged off	-	-	249,160	8,800	257,960
	582,062	164,989	1,057,833	435,921	2,240,805
Amounts Charged off	(6,000)	-	(453,569)	-	(459,569)
Balance Dec 31, 2016	\$ 576,062	\$ 164,989	\$ 604,264	\$ 435,921	\$ 1,781,236

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.

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

2017 Risk	Housing	Community Facilities	Business	Child Care	Total
Low	\$ 865,811	\$ 131,552	\$ -	\$ 17,049	\$ 1,014,412
Moderate	4,102,545	1,102,263	638,051	358,937	6,201,796
Average	6,078,610	545,411	4,563,011	2,077,202	13,264,234
Substantial	1,634,211	4,436,902	1,103,776	398,892	7,573,781
High	695,031	113,451	681,508	332,934	1,822,924
Workout	164,976	-	-	217,607	382,583
Total	\$ 13,541,184	\$ 6,329,579	\$ 6,986,346	\$ 3,402,621	\$ 30,259,730

Vermont Community Loan Fund, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 7      LOAN LOSS RESERVE (continued)

2016 Risk	Housing	Community Facilities	Business	Child Care	Total
Low	\$ 743,376	\$ 139,446	\$ 140,000	\$ -	\$ 1,022,822
Moderate	3,515,848	1,019,933	816,545	374,016	5,726,342
Average	5,780,081	556,197	4,373,952	2,789,776	13,500,006
Substantial	1,955,961	2,156,463	535,221	748,818	5,396,463
High	782,497	117,395	700,507	476,455	2,076,854
Workout	85,000	-	-	-	85,000
Total	\$ 12,862,763	\$ 3,989,434	\$ 6,566,225	\$ 4,389,065	\$ 27,807,487

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 VCLF 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 VCLF

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



Vermont Community Loan Fund, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016

NOTE 7 LOAN LOSS RESERVE (continued)

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.

**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:

2017	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Housing	\$ 13,541,184	\$ 13,541,184	\$ 572,225	\$ 13,201,974	\$ 690,118
Community Facilities	6,329,579	6,329,579	278,966	5,159,507	272,422
Business	6,986,346	6,986,346	654,016	6,776,286	420,237
Child Care	3,402,621	3,402,621	300,553	3,895,843	215,460
Total	\$ 30,259,730	\$ 30,259,730	\$ 1,805,760	\$ 29,033,610	\$ 1,598,237

Vermont Community Loan Fund, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 7 LOAN LOSS RESERVE (continued)

2016	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Housing	\$ 12,862,763	\$ 12,862,763	\$ 576,062	\$ 13,192,198	\$ 712,736
Community Facilities	3,989,434	3,989,434	164,989	4,447,938	235,404
Business	6,566,225	6,566,225	604,264	6,606,663	405,544
Child Care	4,389,065	4,389,065	435,921	4,279,914	263,313
Total	\$ 27,807,487	\$ 27,807,487	\$ 1,781,236	\$ 28,526,713	\$ 1,616,997

For the years ended December 31, 2017 and 2016, \$1,598,237 and \$1,616,997 was recognized as interest income from the above loans.

As of December 31, 2017 and 2016, the Fund was not committed to lend any additional funds to borrowers whose loans were nonperforming, impaired or restructured.

NOTE 8 EQUIPMENT ACCESS PROGRAM

The Equipment Access Program (EAP) is a partnership between the Vermont Community Loan Fund and two food business incubators, the non-profit Center for an Agricultural Economy and the for profit Mad River Food Hub L3C. The Memorandum of Understanding was finalized April 28, 2014. The program is a revolving lease fund that helps emerging food processors find and finance the equipment they need to grow their businesses. The food business incubators provide customers, equipment and business expertise. VCLF provides the administrative services including lease documentation, billing systems, accounting and financial reporting. Philanthropic sources have provided grant capital to be used to reduce the lease amount owed. At December 31, 2017 and 2016, there were 6 and 3 equipment leases, respectively. Total equipment leases receivable at December 31, 2017 and 2016 were \$30,579 and \$25,862, respectively.

<i>Equipment Leases Receivable</i>	2017	2016
Loans Current, Per Terms of Loan	\$ 30,579	\$ 25,862
Loans Delinquent, 31-90 Days	-	-
Non-Performing Loans	-	-
Total	30,579	25,862
Less: Current Portion	(10,721)	(7,618)
Non-Current Portion	\$ 19,858	\$ 18,244

NOTE 9 PLANT AND EQUIPMENT

The following is a summary of net plant and equipment at December 31, 2017 and 2016:

Fixed Assets	Gross Fixed Assets 12/31/17	Accumulated Depreciation 12/31/17	Net Book Value 12/31/17	Gross Fixed Assets 12/31/16	Accumulated Depreciation 12/31/16	Net Book Value 12/31/16
Furniture, Fixtures and Equipment	\$ 141,545	\$ 84,368	\$ 57,178	\$ 98,847	\$ 91,110	\$ 7,737
Leasehold Improvements	14,679	14,679	-	14,679	14,679	-
Total	\$ 156,224	\$ 99,046	\$ 57,178	\$ 113,526	\$ 105,789	\$ 7,737

Vermont Community Loan Fund, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 10 DEFERRED REVENUE

At December 31, 2017 and 2016, deferred revenue was \$94,390 and \$99,978, respectively. 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 work land entrepreneurs who might not be eligible for a loan otherwise. The grant funding from WLEB provides monies for both third party technical advisory services and covers a portion of the loan interest. As of December 31, 2017, six (6) borrowers were participating in the Sprout program. Deferred revenue consists of remaining WLEB grant funds and is expected to be earned in subsequent years.

Deferred Revenue	2017	2016
Total Deferred Revenue	\$ 94,390	\$ 99,978
Less: Current Portion	(14,933)	-
Non-Current Portion	\$ 79,457	\$ 99,978

NOTE 11 LOANS PAYABLE

At December 31, 2017 and 2016, there were various loans payable. There were 556 loans, at December 31, 2017, which varied in amount from \$250 to \$1,247,000 with maturity dates from January 15, 2018 to August 18, 2047 and with interest rates from 0% to 4.25% with a weighted average rate of 1.68%. The loans from USDA, totaling \$5,298,290, 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 SBA, totaling \$487,530, 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, 2017 and 2016 were \$28,161,618 and \$27,019,707, respectively.

Loans Payable	2017	2016
Total Loans Payable	\$ 28,161,618	\$ 27,019,707
Less: Current Portion	(9,060,483)	(6,768,519)
Non-Current Portion	\$ 19,101,135	\$ 20,251,188

Maturities at December 31, 2017 are as follows:

2018	\$ 9,060,483
2019	5,568,700
2020	3,068,902
2021	1,560,073
2022	1,666,527
Thereafter	7,236,933
	\$ 28,161,618

Per its Bylaws, Vermont Community Loan Fund, Inc. 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 VCLF Board members are significant employees or board directors. There are some loans payable that contain certain financial covenants.

Vermont Community Loan Fund, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 12 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Unrestricted net assets, temporarily restricted net assets, and permanently restricted net asset balances as of December 31, 2017 and December 31, 2016 were as follows:

Net Assets	2017	2016
Temporarily Restricted Net Assets	\$ 846,489	\$ 999,917
Permanently Restricted Net Assets	1,522,154	1,516,244
Unrestricted Net Assets	8,154,990	8,182,167
Total Net Assets	\$ 10,523,633	\$ 10,698,328

Temporarily restricted net assets consists of grant programs the Fund administers. At December 31, 2017 temporarily restricted net assets was comprised of the Green Mountain Power (GMP) Renewable Development Fund and Combined Heat and Power Fund, the Vermont Early Childhood Alliance Fiscal Sponsorship (VECA), The Barre Area Revolving Loan Fund (BRLF), and the Equipment Access Program (EAP).

The temporarily restricted net assets balances for GMP, VECA, BRLF, Shared Services and EAP as of December 31, 2017 and December 31, 2016 were as follows:

Temporarily Restricted Net Assets	2017	Income	Net Assets Released	2016
Green Mountain Power	\$ 297,827	\$ 3,791	\$ (152,933)	\$ 446,969
Vermont Early Childhood Alliance	185,820	242,844	(216,757)	159,733
Barre Area Revolving Loan Fund	231,739	-	(2,046)	233,785
Building Bright Futures for Bright Spaces Fund	-	54,000	(54,000)	-
Equipment Access Program	131,103	4,010	(32,337)	159,430
Total Temporary Restricted Net Assets	\$ 846,489	\$ 304,645	\$ (458,073)	\$ 999,917

Permanently restricted net assets consist of grants and contributions restricted to funding loans or loan loss reserve in perpetuity.

Net assets were released from restrictions by incurring expenses in satisfaction of the restricted purposes specified by donors/grantors.

The permanently restricted net assets balances for VHCB program, USDA-RD grants, and the EDA Fund as of December 31, 2017 and December 31, 2016 were as follows:

Permanently Restricted Net Assets	2017	Income	Net Assets Released	2016
Vermont Housing Conservation Board for Mobile Home Loan Subsidy Program - VHCB (now restricted to affordable housing)	\$ 146,907	\$ -	\$ -	\$ 146,907
USDA-RD Grants (three revolving loan funds), plus deposit interest	429,894	372	-	429,522
Economic Development Authority (EDA)	945,353	5,538	-	939,815
Total Permanently Restricted Net Assets	\$ 1,522,154	\$ 5,910	\$ -	\$ 1,516,244

Vermont Community Loan Fund, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 13 PENSION PLAN

The Vermont Community Loan Fund 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. VCLF 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 2016 and 2017. Pension expense for the years ended December 31, 2017 and 2016 was \$50,335 and \$51,167, respectively.

NOTE 14 FINANCING COMMITMENTS

The Fund was approved for loans from Community National Bank and People's United Bank in 2009, TD Bank in 2012, the USDA IRP 31 in 2017, and the USDA RMAP in 2016. Each loan has been renewed at successive maturity since then, if applicable. At December 31, 2017, the Fund had \$2,350,000 in financing available.

Financing Commitments	Rate	Term (Yrs)	Financing Amount	2017 Outstanding Balance	Available Balance	2016 Outstanding Balance
People's United Bank Line of Credit (LOC)	Variable	1	\$ 500,000	-	\$ 500,000	-
Community National Bank LOC	Variable	2	500,000	-	500,000	-
TD Bank LOC	Variable	1	500,000	-	500,000	-
USDA RMAP	2.000%	20	400,000	300,000	100,000	100,000
USDA IRP 31 Loan	1.000%	30	1,000,000	250,000	750,000	-
Total			\$ 2,900,000	\$ 550,000	\$ 2,350,000	\$ 100,000

NOTE 15 LEASE AGREEMENT

In 2006, the Fund entered into a five (5) year lease agreement with River Street Associates to rent office space. An addendum was signed in July 2011 renewing the lease for an additional five years terminating July 31, 2016. Another addendum was signed in April 2016 renewing the lease for an additional five years terminating July 31, 2021. Rental expense for the year ended December 31, 2017 was \$62,400 and for the year ended 2016 was \$62,400.

Future lease commitments are as follows:

Year	Rent
2018	\$ 62,900
2019	64,100
2020	65,300
2021	38,500
2022	-
	\$ 230,800

Effective August 1, 2018 and at each annual renewal thereafter the Fund has the right to terminate the lease with 120 days' notice.

Vermont Community Loan Fund, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 16 GMP FUNDS EFFECT ON NET ASSETS

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.

Net assets for the RDF and CHP as of December 31, 2017 and 2016 are \$297,827 and \$446,969 respectively.

NOTE 17 VERMONT EARLY CHILDHOOD ALLIANCE FISCAL SPONSORSHIP

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

The Vermont Early Childhood Alliance (VECA) 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, VCLF 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 ran December 1, 2013 through November 30, 2014. Additional funds were received to close out December 2014. In subsequent years, the agreement has renewed, including 2016 and 2017. The VECA activities will be funded by grants and donations from interested foundations, agencies, corporations and individuals.

As of December 31, 2017 temporarily restricted net assets in the VECA Fund were \$185,820 and \$159,733 at December 31, 2016.

Vermont Community Loan Fund, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 19 ECONOMIC DEVELOPMENT AUTHORITY

VCLF 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, VCLF was required to contribute \$231,500 in equity which is indicated on the Statement of Activities as a Net Asset Transfer from Unrestricted to Permanently Restricted Net Assets. The Net Asset Transfer was comprised of three performing loans with cumulative balances of \$230,337 and \$1,163 in cash.

As of December 31, 2017, the permanently restricted net assets in the EDA were \$945,353 and \$939,815 at December 31, 2016.

NOTE 20 NEXT GENERATION FUND

The Next Generation Fund (NGF) was created by the Vermont Community Loan 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 child care borrowers, through low interest rate bearing investments, permanent capital grants and capacity building grants. VCLF contributed \$250,000 unrestricted equity to the NGF. As of December 31, 2017 the Fund has four (4) investors, including the Office of the Treasurer State of Vermont, totaling approximately \$607,000 with approximately \$674,000 in loans receivable to three (3) borrowers.

As of December 31, 2017, the unrestricted net assets in the NGF were \$223,243 and \$219,101 at December 31, 2016.

NOTE 21 FOOD, FARMS & FOREST FUND

The Food, Farms & Forest Fund (FFF) was created by the Vermont Community Loan 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, 2017 the FFF had 18 investors totaling approximately \$655,000 in loans payable and has approximately \$576,000 in loans receivable to ten (10) borrowers.

As of December 31, 2017, the unrestricted net assets in the FFF were \$(23,056) and \$(12,120) at December 31, 2016.

Vermont Community Loan Fund, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 22      BARRE AREA REVOLVING LOAN FUND

VCLF 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. VCLF charged 8% of deposited funds to establish a segregated loan fund to manage the BRLF. Annually, VCLF will charge 1% asset management fee to fund operations of the BRLF. VCLF will retain the interest from loans and cash on deposit.

As of December 31, 2017, the temporarily restricted net assets were \$231,739 and \$233,785 at December 31, 2016.

NOTE 23      BUILDING BRIGHT SPACES FOR BRIGHT FUTURES

For several years, the Vermont Community Loan Fund has administered the Building Bright Spaces for Bright Futures Facility grant program funded by the State of Vermont, Department for Children and Families, Child Development Division. The purpose of the grant is to provide grant monies to improve or expand child care facilities. The grant award in 2017 was \$60,000. Of this award, \$54,000 was distributed to grantees and \$6,000 was retained by the Fund per the grant authorization to cover reimbursement of expenses.

As of December 31, 2017 and 2016 the temporarily restricted net assets were \$0, respectively.

NOTE 24      SUBSEQUENT EVENTS

In accordance with accounting standards, the Fund has evaluated subsequent events through April 11, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2017, 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, 2017

Schedule 1

<u>ASSETS</u>	Operating Fund	GMP CVPS RDF/CHP Fund	VECA Fund	Unrestricted Fund	Agri Tourism Fund	Intermediary Relending Program 29 Fund	Intermediary Relending Program 30 Fund	Intermediary Relending Program 31 Fund	SBA Fund
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	\$ 798,523	\$ 298,385	\$ 199,863	\$ 2,806,667	\$ 272,223	\$ 1,528,746	\$ 369,104	\$ 500,871	\$ 256,091
Investments	-	-	-	2,525,011	-	-	-	-	-
Other Receivables-Current Portion	24,109	-	-	-	-	-	-	-	-
Loans Receivable - Current Portion	-	-	-	5,742,979	23,087	690,196	222,698	59,193	79,688
Equipment Lease - Current Portion	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	86,686	429	15,524	2,694	709	941
Prepaid Expenses	20,749	-	3,628	-	-	-	-	-	-
Due from Other Programs	116,065	-	-	270,968	-	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>959,446</b>	<b>298,385</b>	<b>203,491</b>	<b>11,432,311</b>	<b>295,739</b>	<b>2,234,466</b>	<b>594,496</b>	<b>560,773</b>	<b>336,720</b>
<b>NON-CURRENT ASSETS</b>									
Loans Receivable - Long-Term Portion	-	-	-	17,732,330	135,513	2,314,048	717,861	190,807	256,873
Equipment Lease - Long-Term Portion	-	-	-	-	-	-	-	-	-
Reserve for Loan Losses	-	-	-	(1,396,426)	(6,265)	(195,576)	(33,377)	(25,000)	(13,082)
Net Property, Plant and Equipment	57,178	-	-	-	-	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>57,178</b>	<b>-</b>	<b>-</b>	<b>16,335,904</b>	<b>129,248</b>	<b>2,118,472</b>	<b>684,484</b>	<b>165,807</b>	<b>243,791</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,016,624</b>	<b>\$ 298,385</b>	<b>\$ 203,491</b>	<b>\$ 27,768,215</b>	<b>\$ 424,987</b>	<b>\$ 4,352,938</b>	<b>\$ 1,278,980</b>	<b>\$ 726,580</b>	<b>\$ 580,511</b>
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Accounts Payable	\$ 15,482	\$ 504	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	46,284	-	5,915	-	-	-	-	-	-
Accrued Interest Payable	-	-	-	142,961	-	17,677	11,083	925	39
Due to Other Programs	-	54	10,756	-	552	73,568	50,081	250,655	-
Deferred Revenue - Current Portion	-	-	-	14,933	-	-	-	-	-
Loans Payable - Current Portion	-	-	-	8,274,443	-	207,198	-	-	78,842
<b>TOTAL CURRENT LIABILITIES</b>	<b>61,766</b>	<b>558</b>	<b>17,671</b>	<b>8,432,337</b>	<b>552</b>	<b>298,443</b>	<b>61,164</b>	<b>251,580</b>	<b>78,881</b>
<b>NON-CURRENT LIABILITIES</b>									
Deferred Revenue - Long-Term	25,000	-	-	54,457	-	-	-	-	-
Loans Payable - Long-Term	-	-	-	12,838,830	-	3,541,093	1,000,000	250,000	408,688
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>12,893,287</b>	<b>-</b>	<b>3,541,093</b>	<b>1,000,000</b>	<b>250,000</b>	<b>408,688</b>
<b>TOTAL LIABILITIES</b>	<b>86,766</b>	<b>558</b>	<b>17,671</b>	<b>21,325,624</b>	<b>552</b>	<b>3,839,536</b>	<b>1,061,164</b>	<b>501,580</b>	<b>487,569</b>
<b>NET ASSETS</b>									
Unrestricted	929,858	-	-	6,295,684	(5,459)	513,402	217,816	225,000	92,942
Temporarily Restricted	-	297,827	185,820	-	-	-	-	-	-
Permanently Restricted	-	-	-	146,907	429,894	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>929,858</b>	<b>297,827</b>	<b>185,820</b>	<b>6,442,591</b>	<b>424,435</b>	<b>513,402</b>	<b>217,816</b>	<b>225,000</b>	<b>92,942</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,016,624</b>	<b>\$ 298,385</b>	<b>\$ 203,491</b>	<b>\$ 27,768,215</b>	<b>\$ 424,987</b>	<b>\$ 4,352,938</b>	<b>\$ 1,278,980</b>	<b>\$ 726,580</b>	<b>\$ 580,511</b>

Vermont Community Loan Fund, Inc. and Subsidiaries  
SUPPLEMENTARY INFORMATION  
COMBINING SCHEDULE OF FINANCIAL POSITION  
December 31, 2017

Schedule 1

<u>ASSETS</u>	RMAP Fund	EDA Fund	Equipment Access Program Fund	Barre Revolving Loan Fund	Food, Farms, and Forest Fund	Next Generation Fund	Elimination	Total
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 124,347	\$ 388,328	\$ 100,659	\$ 109,239	\$ 82,744	\$ 172,768	\$ -	\$ 8,008,558
Investments	-	-	-	-	-	-	-	2,525,011
Other Receivables-Current Portion	-	-	-	-	-	-	-	24,109
Loans Receivable - Current Portion	45,810	130,888	-	15,056	136,475	159,635	-	7,305,705
Equipment Lease - Current Portion	-	-	10,721	-	-	-	-	10,721
Accrued Interest Receivable	911	1,648	-	182	1,858	14,169	-	125,751
Prepaid Expenses	-	-	-	-	-	-	-	24,377
Due from Other Programs	1,611	2,738	-	-	-	-	(391,382)	-
<b>TOTAL CURRENT ASSETS</b>	<u>172,679</u>	<u>523,602</u>	<u>111,380</u>	<u>124,477</u>	<u>221,077</u>	<u>346,572</u>	<u>(391,382)</u>	<u>18,024,232</u>
<b>NON-CURRENT ASSETS</b>								
Loans Receivable - Long-Term Portion	147,667	421,912	-	82,510	439,923	514,581	-	22,954,025
Equipment Lease - Long-Term Portion	-	-	19,858	-	-	-	-	19,858
Reserve for Loan Losses	(7,739)	(73,356)	(1,223)	(3,903)	(23,056)	(26,757)	-	(1,805,760)
Net Property, Plant and Equipment	-	-	-	-	-	-	-	57,178
<b>TOTAL NON-CURRENT ASSETS</b>	<u>139,928</u>	<u>348,556</u>	<u>18,635</u>	<u>78,607</u>	<u>416,867</u>	<u>487,824</u>	<u>-</u>	<u>21,225,301</u>
<b>TOTAL ASSETS</b>	<u>\$ 312,607</u>	<u>\$ 872,158</u>	<u>\$ 130,015</u>	<u>\$ 203,084</u>	<u>\$ 637,944</u>	<u>\$ 834,396</u>	<u>\$ (391,382)</u>	<u>\$ 39,249,533</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES</b>								
Accounts Payable	\$ -	\$ 161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,147
Accrued Liabilities	-	-	-	-	-	-	-	52,199
Accrued Interest Payable	5,346	-	-	-	3,672	1,236	-	182,939
Due to Other Programs	-	-	136	859	1,908	2,813	(391,382)	-
Deferred Revenue - Current Portion	-	-	-	-	-	-	-	14,933
Loans Payable - Current Portion	-	-	-	-	-	500,000	-	9,060,483
<b>TOTAL CURRENT LIABILITIES</b>	<u>5,346</u>	<u>161</u>	<u>136</u>	<u>859</u>	<u>5,580</u>	<u>504,049</u>	<u>(391,382)</u>	<u>9,327,701</u>
<b>NON-CURRENT LIABILITIES</b>								
Deferred Revenue - Long-Term	-	-	-	-	-	-	-	79,457
Loans Payable - Long-Term	300,000	-	-	-	655,420	107,104	-	19,101,135
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>655,420</u>	<u>107,104</u>	<u>-</u>	<u>19,180,592</u>
<b>TOTAL LIABILITIES</b>	<u>305,346</u>	<u>161</u>	<u>136</u>	<u>859</u>	<u>661,000</u>	<u>611,153</u>	<u>(391,382)</u>	<u>28,508,293</u>
<b>NET ASSETS</b>								
Unrestricted	7,261	(73,356)	(1,224)	(29,514)	(23,056)	223,243	-	8,372,597
Temporarily Restricted	-	-	131,103	231,739	-	-	-	846,489
Permanently Restricted	-	945,353	-	-	-	-	-	1,522,154
<b>TOTAL NET ASSETS</b>	<u>7,261</u>	<u>871,997</u>	<u>129,879</u>	<u>202,225</u>	<u>(23,056)</u>	<u>223,243</u>	<u>-</u>	<u>10,741,240</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 312,607</u>	<u>\$ 872,158</u>	<u>\$ 130,015</u>	<u>\$ 203,084</u>	<u>\$ 637,944</u>	<u>\$ 834,396</u>	<u>\$ (391,382)</u>	<u>\$ 39,249,533</u>

Vermont Community Loan Fund, Inc. and Subsidiaries  
 SUPPLEMENTARY INFORMATION  
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Schedule 2

	Operating Fund	Building Bright Futures Fund	GMP CVPS RDF/CHP Fund	VECA Fund	Unrestricted Fund	Agri Tourism Fund	Intermediary Relending Program 29 Fund	Intermediary Relending Program 30 Fund	Intermediary Relending Program 31 Fund	SBA Fund
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>										
Revenue and Support										
Contributions	\$ 107,470	\$ -	\$ -	\$ -	\$ 99,929	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	146,998	-	-	-	335,327	-	-	-	-	-
Financing Charges	116,840	-	-	-	-	-	-	-	-	-
Loan Interest	-	-	-	-	1,217,405	7,534	186,291	56,725	709	23,186
Net Investment Income	394	-	-	-	40,524	-	5,347	1,580	499	1,659
Other Income	46,447	-	-	-	58,410	-	-	-	-	-
Net Assets Released from Restrictions	-	54,000	152,933	216,757	-	-	-	-	-	-
<b>Total Unrestricted Revenue and Support</b>	<b>418,149</b>	<b>54,000</b>	<b>152,933</b>	<b>216,757</b>	<b>1,751,595</b>	<b>7,534</b>	<b>191,638</b>	<b>58,305</b>	<b>1,208</b>	<b>24,845</b>
Expenses:										
Program Services	1,082,392	54,000	152,933	216,757	661,389	(713)	41,669	15,720	25,925	(1,802)
Management and General	381,619	-	-	-	-	-	-	-	-	-
Fundraising	82,893	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>1,546,904</b>	<b>54,000</b>	<b>152,933</b>	<b>216,757</b>	<b>661,389</b>	<b>(713)</b>	<b>41,669</b>	<b>15,720</b>	<b>25,925</b>	<b>(1,802)</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS BEFORE TRANSFERS</b>	<b>(1,128,755)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,090,206</b>	<b>8,247</b>	<b>149,969</b>	<b>42,585</b>	<b>(24,717)</b>	<b>26,647</b>
Transfers	1,165,830	-	-	-	(1,079,695)	(7,534)	(153,046)	(48,334)	249,717	(72,500)
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>37,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,511</b>	<b>713</b>	<b>(3,077)</b>	<b>(5,749)</b>	<b>225,000</b>	<b>(45,853)</b>
<b>UNRESTRICTED NET ASSETS - January 1, 2017</b>	<b>892,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,285,173</b>	<b>(6,172)</b>	<b>516,479</b>	<b>223,565</b>	<b>-</b>	<b>138,795</b>
<b>UNRESTRICTED NET ASSETS - December 31, 2017</b>	<b>\$ 929,858</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,295,684</b>	<b>\$ (5,459)</b>	<b>\$ 513,402</b>	<b>\$ 217,816</b>	<b>\$ 225,000</b>	<b>\$ 92,942</b>
Changes in Temporarily Restricted Net Assets:										
Contributions	\$ -	\$ -	\$ 2,719	\$ 37,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	-	54,000	-	205,000	-	-	-	-	-	-
Net Investment Income	-	-	1,072	-	-	-	-	-	-	-
Lease Revenue	-	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	-	(54,000)	(152,933)	(216,757)	-	-	-	-	-	-
<b>Change in Temporarily Restricted Net Assets</b>	<b>-</b>	<b>-</b>	<b>(149,142)</b>	<b>26,087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Temporarily Restricted Net Assets - January 1, 2017</b>	<b>-</b>	<b>-</b>	<b>446,969</b>	<b>159,733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Temporarily Restricted Net Assets - December 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 297,827</b>	<b>\$ 185,820</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Changes in Permanently Restricted Net Assets:										
Net Investment Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 372	\$ -	\$ -	\$ -	\$ -
Net Loan Interest Income	-	-	-	-	-	-	-	-	-	-
<b>Change in Permanently Restricted Net Assets Before Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Permanently Restricted Net Assets - January 1, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146,907</b>	<b>429,522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Permanently Restricted Net Assets - December 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 146,907</b>	<b>\$ 429,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Vermont Community Loan Fund, Inc. and Subsidiaries  
 SUPPLEMENTARY INFORMATION  
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 For the Year Ended December 31, 2017

Schedule 2

	RMAP Fund	EDA Fund	Equipment Access Program Fund	Barre Revolving Loan Fund	Food, Farms, and Forest Fund	Next Generation Fund	Total
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>							
Revenue and Support							
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 207,399
Grants	-	-	-	-	-	-	482,325
Financing Charges	-	-	-	-	-	-	116,840
Loan Interest	8,606	23,560	-	5,115	20,647	44,408	1,594,186
Net Investment Income	447	-	172	424	418	132	51,596
Other Income	-	-	-	-	-	-	104,857
Net Assets Released from Restrictions	-	-	32,337	2,046	-	-	458,073
Total Unrestricted Revenue and Support	<u>9,053</u>	<u>23,560</u>	<u>32,509</u>	<u>7,585</u>	<u>21,065</u>	<u>44,540</u>	<u>3,015,276</u>
Expenses:							
Program Services	10,494	26,113	32,527	24,627	15,953	2,350	2,360,334
Management and General	-	-	-	-	-	-	381,619
Fundraising	-	-	-	-	-	-	82,893
Total Expenses	<u>10,494</u>	<u>26,113</u>	<u>32,527</u>	<u>24,627</u>	<u>15,953</u>	<u>2,350</u>	<u>2,824,846</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE TRANSFERS	(1,441)	(2,553)	(18)	(17,042)	5,112	42,190	190,430
Transfers	<u>5,369</u>	<u>-</u>	<u>(172)</u>	<u>(5,539)</u>	<u>(16,048)</u>	<u>(38,048)</u>	<u>-</u>
CHANGE IN UNRESTRICTED NET ASSETS	3,928	(2,553)	(190)	(22,581)	(10,936)	4,142	190,430
UNRESTRICTED NET ASSETS - January 1, 2017	<u>3,333</u>	<u>(70,803)</u>	<u>(1,034)</u>	<u>(6,933)</u>	<u>(12,120)</u>	<u>219,101</u>	<u>8,182,167</u>
UNRESTRICTED NET ASSETS - December 31, 2017	<u>\$ 7,261</u>	<u>\$ (73,356)</u>	<u>\$ (1,224)</u>	<u>\$ (29,514)</u>	<u>\$ (23,056)</u>	<u>\$ 223,243</u>	<u>\$ 8,372,597</u>
Changes in Temporarily Restricted Net Assets:							
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,563
Grants	-	-	-	-	-	-	259,000
Net Investment Income	-	-	-	-	-	-	1,072
Lease Revenue	-	-	4,010	-	-	-	4,010
Net Assets Released from Restrictions	-	-	(32,337)	(2,046)	-	-	(458,073)
Change in Temporarily Restricted Net Assets	-	-	(28,327)	(2,046)	-	-	(153,428)
Temporarily Restricted Net Assets - January 1, 2017	<u>-</u>	<u>-</u>	<u>159,430</u>	<u>233,785</u>	<u>-</u>	<u>-</u>	<u>999,917</u>
Temporarily Restricted Net Assets - December 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,103</u>	<u>\$ 231,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 846,489</u>
Changes in Permanently Restricted Net Assets:							
Net Investment Income	\$ -	\$ 1,487	\$ -	\$ -	\$ -	\$ -	\$ 1,859
Net Loan Interest Income	-	4,051	-	-	-	-	4,051
Change in Permanently Restricted Net Assets Before Transfers	-	5,538	-	-	-	-	5,910
Permanently Restricted Net Assets - January 1, 2017	<u>-</u>	<u>939,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,516,244</u>
Permanently Restricted Net Assets - December 31, 2017	<u>\$ -</u>	<u>\$ 945,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,522,154</u>