

Vermont Community Loan Fund, Inc.

FINANCIAL STATEMENTS

December 31, 2016

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, 2016 and 2015, 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, 2016, 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.

A handwritten signature in cursive script that reads "K. Stettin Brannigan, CPA, August". The signature is written in dark ink and is positioned in the lower middle section of the page.

St. Albans, Vermont
April 4, 2017

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

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents - Note 2	\$ 8,416,381	\$ 5,698,249
Investments - Note 3 and 4	2,490,777	2,457,187
Other Receivables - Current Portion - Note 5	969,376	814,989
Loans Receivable - Current Portion - Note 6	7,317,860	6,646,727
Equipment Lease Receivable - Current Portion - Note 8	7,618	7,174
Accrued Interest Receivable	128,534	134,717
Prepaid Expenses	<u>20,918</u>	<u>10,793</u>
TOTAL CURRENT ASSETS	<u>19,351,464</u>	<u>15,769,836</u>
NON-CURRENT ASSETS		
Loans Receivable - Long-Term Portion - Note 6	20,489,627	21,726,276
Equipment lease Receivable - Long-Term Portion - Note 8	18,244	25,862
Reserve for Loan Losses - Note 7	(1,781,236)	(1,778,905)
Plant and Equipment - (Net of Accumulated Depreciation) - Note 9	<u>7,737</u>	<u>5,212</u>
TOTAL NON-CURRENT ASSETS	<u>18,734,372</u>	<u>19,978,445</u>
TOTAL ASSETS	<u>\$ 38,085,836</u>	<u>\$ 35,748,281</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 24,567	\$ 18,845
Accrued Liabilities	63,528	55,227
Accrued Interest Payable	179,728	179,086
Loans Payable - Current Portion - Note 11	<u>6,768,519</u>	<u>6,465,003</u>
TOTAL CURRENT LIABILITIES	<u>7,036,342</u>	<u>6,718,161</u>
NON-CURRENT LIABILITIES		
Deferred Revenue - Long-Term - Note 10	99,978	-
Loans Payable - Long-Term - Note 11	<u>20,251,188</u>	<u>19,231,215</u>
TOTAL LIABILITIES	<u>27,387,508</u>	<u>25,949,376</u>
NET ASSETS		
Unrestricted	8,182,167	7,422,598
Temporarily Restricted - Note 12	999,917	859,133
Permanently Restricted - Note 12	<u>1,516,244</u>	<u>1,517,174</u>
TOTAL NET ASSETS	<u>10,698,328</u>	<u>9,798,905</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,085,836</u>	<u>\$ 35,748,281</u>

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,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Contributions	\$ 83,758	\$ 190,213	\$ -	\$ 273,971	\$ 113,903	\$ 46,391	\$ -	\$ 160,294
Grants	1,069,191	298,850	-	1,368,041	1,351,095	590,525	-	1,941,620
Financing Charges	55,986	-	-	55,986	73,640	-	-	73,640
Loan Interest	1,615,310	-	1,687	1,616,997	1,579,408	-	2,043	1,581,451
Net Investment Income	44,651	357	1,883	46,891	43,689	330	1,728	45,747
Recovery of Bad Debt and Foreclosure Expenses	256,460	-	1,500	257,960	188,116	-	552	188,668
Other Income	42,831	3,029	-	45,860	61,545	1,930	-	63,475
Net Assets Released from Restrictions - Note 12	357,665	(351,665)	(6,000)	-	340,017	(336,017)	(4,000)	-
TOTAL REVENUE	<u>3,525,852</u>	<u>140,784</u>	<u>(930)</u>	<u>3,665,706</u>	<u>3,751,413</u>	<u>303,159</u>	<u>323</u>	<u>4,054,895</u>
EXPENSES								
Program Services	2,326,289	-	-	2,326,289	2,264,881	-	-	2,264,881
Management and General	357,247	-	-	357,247	369,831	-	-	369,831
Fundraising	82,747	-	-	82,747	84,747	-	-	84,747
TOTAL EXPENSES	<u>2,766,283</u>	<u>-</u>	<u>-</u>	<u>2,766,283</u>	<u>2,719,459</u>	<u>-</u>	<u>-</u>	<u>2,719,459</u>
CHANGES IN NET ASSETS	<u>759,569</u>	<u>140,784</u>	<u>(930)</u>	<u>899,423</u>	<u>1,031,954</u>	<u>303,159</u>	<u>323</u>	<u>1,335,436</u>
NET ASSETS - January 1,	<u>7,422,598</u>	<u>859,133</u>	<u>1,517,174</u>	<u>9,798,905</u>	<u>6,390,644</u>	<u>555,974</u>	<u>1,516,851</u>	<u>8,463,469</u>
NET ASSETS - December 31,	<u>\$ 8,182,167</u>	<u>\$ 999,917</u>	<u>\$ 1,516,244</u>	<u>\$ 10,698,328</u>	<u>\$ 7,422,598</u>	<u>\$ 859,133</u>	<u>\$ 1,517,174</u>	<u>\$ 9,798,905</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

	Program Services	Management and General	Fundraising	Total
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
TOTAL	\$ 2,326,289	\$ 357,247	\$ 82,747	\$ 2,766,283

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, 2015

	Program Services	Management and General	Fundraising	Total
Accounting	\$ -	\$ 32,022	\$ -	\$ 32,022
Bank Charges	6,186	2,651	-	8,837
Board and Committee Expense	2,336	1,401	934	4,671
Computer Supplies	752	200	50	1,002
Consultants	58,216	24,950	-	83,166
Depreciation	1,607	429	107	2,143
Dues and Publications	4,688	1,250	313	6,251
Foreclosure Expense	65,368	-	-	65,368
Fiscal Sponsor Admin Fees	17,783	-	-	17,783
Grant Administration Expense	36,052	-	-	36,052
Insurance	8,927	2,381	595	11,903
Interest Expense	397,529	-	-	397,529
Legal	539	1,618	-	2,157
Loan Service Fees	6,172	-	-	6,172
Marketing and Communications	50,895	2,500	5,933	59,328
Provision for Loan Losses - Note 7	363,265	-	-	363,265
Occupancy Costs	60,498	16,133	4,033	80,664
Office Supplies	4,513	1,203	301	6,017
Outreach	21,070	-	2,341	23,411
Personnel Costs	1,004,408	267,842	66,961	1,339,211
Postage	2,489	1,245	415	4,149
Repairs and Maintenance	1,720	459	115	2,294
Staff Enrichment	3,332	888	222	4,442
Telephone	10,155	2,708	677	13,540
Training	1,834	489	122	2,445
Transportation	19,325	5,153	1,288	25,766
Travel	5,102	1,360	340	6,802
Pass Through Grant Expense	110,120	-	-	110,120
TOTAL	\$ 2,264,881	\$ 369,831	\$ 84,747	\$ 2,719,459

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>2016</u>	<u>2015</u>
INCREASE/(DECREASE) IN CASH		
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 899,423	\$ 1,335,436
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation Expense	4,157	2,143
Loans Receivable Charged Off	459,569	223,908
Change in Provision for Loan Losses	2,331	139,357
(Increase)/Decrease in:		
Prepaid Expenses	(10,125)	42,635
Other Receivable	(154,387)	(788,866)
Increase/(Decrease) in:		
Accounts Payable	5,722	6,588
Accrued Liabilities	8,301	(50,351)
Deferred revenue	99,978	(55,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,314,969</u>	<u>855,850</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(Increase) in Investments	(33,590)	(408,398)
(Purchase) or Sale of Leasehold Improvements and Equipment	(6,682)	(5,592)
Principal Advances on Loans Receivable	(3,317,719)	(7,622,427)
Principal Payments on Loans Receivable	3,423,666	4,503,934
Principal Advances on Equipment Lease Receivable	-	(34,991)
Principal Payments on Equipment Lease Receivable	7,174	1,955
Decrease/(Increase) in Accrued Interest Receivable	6,183	(5,398)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>79,032</u>	<u>(3,570,917)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Accrued Interest Payable	642	6,624
Proceeds from additional Loans Payable	2,498,082	2,935,251
Principal Payments to Loans Payable	(1,174,593)	(1,688,346)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,324,131</u>	<u>1,253,529</u>
NET INCREASE (DECREASE) IN CASH	2,718,132	(1,461,538)
CASH - January 1,	<u>5,698,249</u>	<u>7,159,787</u>
CASH - December 31,	<u>\$ 8,416,381</u>	<u>\$ 5,698,249</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid to investors	<u>\$ 415,661</u>	<u>\$ 392,300</u>

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

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

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.

Prior to 2016 the Vermont Community Loan Fund, Inc. had two controlled subsidiaries, the Vermont Community Enterprise Fund, Inc. (VCEF) and the Building Community Fund, Inc. (BCF). As of May 31, 2000, all of the assets and liabilities of VCEF and BCF were transferred to the Vermont Community Loan Fund, Inc. As of December 31, 2016, both VCEF and BCF had been dissolved.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016 and 2015 totaled \$10,907,158 and \$8,155,436, respectively.

<i>Cash and CDs</i>	<i>2016</i>	<i>2015</i>
Insured/(FDIC/NCUA)	\$ 1,800,029	\$ 1,796,084
Collateralized - Treasury	2,607,745	2,393,481
Collateralized - Pool	5,078,782	2,647,798
Uninsured/Uncollateralized	1,420,602	1,318,073
Total	\$ 10,907,158	\$ 8,155,436

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

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 \$2,860,554 and \$2,947,019 at December 31, 2016 and 2015, respectively.

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

<i>Cash and CDs</i>	<i>2016</i>	<i>2015</i>
Cash	\$ 8,416,381	\$ 5,698,249
Investments- Certificates of Deposit	2,490,777	2,457,187
Total	\$ 10,907,158	\$ 8,155,436

NOTE 3 INVESTMENTS

At December 31, 2016 and 2015, the Fund had no Investments in U.S. Government Agency Obligations. The Fund held certificates of deposit of \$2,490,777 and \$2,457,187, 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, 2016 and 2015, the Fund had cash and investments of \$10,907,158 and \$8,155,436, 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>2016</i>	<i>2015</i>
Cash Reserved for GMP & GMPCHP	\$ 313,125	\$ 227,326
Cash Reserved for VECA	189,810	118,328
Cash Reserved for Loan Commitments & Undisbursed Closed Loans	2,903,603	857,945
Cash Reserved for Loan Loss & Liquidity	3,921,812	3,834,602
Available Cash - Undesignated (Operating)	780,629	721,632
Available Cash - for Lending	2,798,179	2,395,603
Total Cash	\$ 10,907,158	\$ 8,155,436

At December 31, 2016, the Available Cash – for Lending excludes unused lines of credit totaling \$1,500,000, an outstanding grant receivable for \$914,673 from the Community Development Financial Institutions (CDFI) Fund, \$587,500 from a Small Business Administration (SBA) loan that was committed and closed in 2014 with \$662,500 drawn as of December 31, 2016. There is \$65,375 from an USDA Rural Development (IRP 30) loan that was committed and closed in 2015 with \$934,625 drawn as of December 31, 2016. In addition, there is \$400,000 from an USDA Rural Development (RMAP) loan that was committed and closed in 2016 with \$100,000 drawn as of December 31, 2016.

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

NOTE 5 OTHER RECEIVABLES

At December 31, 2016 and 2015, the Fund had other receivables of \$969,376 and \$814,989, respectively. Other grants receivable are comprised of grants which will be received in 2017.

<i>Other Receivables</i>	<i>2016</i>	<i>2015</i>
CDFI Grant	\$ 914,673	\$ 786,840
USDA (RMAP) Technical Assistance Grant	2,932	-
SBA Technical Assistance Grant	51,771	28,149
Total	\$ 969,376	\$ 814,989

NOTE 6 LOANS RECEIVABLE

At December 31, 2016 and 2015, there were 225 and 231 loans receivable, respectively. The loan balances at December 31, 2016 vary in amount from \$629 to \$1,581,950 with maturity dates ranging from January 31, 2017 to December 1, 2041 and with interest rates from 0% to 11.25% with a weighted average rate of 5.86%. Security interests vary from loan guarantees and first to eighth mortgages to personal and business property. Total loans receivable at December 31, 2016 and 2015 were 27,807,487 and \$28,373,003, respectively.

<i>Loans Receivable</i>	<i>2016</i>	<i>2015</i>
Loans Current, Per Terms of Loan	\$ 26,531,438	\$ 27,331,584
Loans Delinquent, 31-90 Days	375,275	336,153
Non-Performing Loans	900,774	705,266
Total	27,807,487	28,373,003
Less: Current Portion	(7,317,860)	(6,646,727)
Non-Current Portion	\$ 20,489,627	\$ 21,726,276

Maturities of Loans Receivable at December 31, 2016 are as follows:

2017	\$ 7,317,860
2018	3,249,616
2019	3,814,851
2020	5,036,144
2021	3,883,065
Thereafter	<u>4,505,951</u>
Total	<u>\$ 27,807,487</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, 2016 and 2015 the guaranteed principal balance was \$236,188 and \$438,645, respectively. The total outstanding balances for these loans as of December 31, 2016 and 2015 were \$541,325 and \$277,869, respectively.

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

NOTE 6 LOANS RECEIVABLE (continued)

At December 31, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, there were twenty-one (21) and eighteen (18) outstanding loan commitments and loans not fully disbursed totaling \$2,903,603 and \$857,945, 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, 2016 and 2015 are \$1,781,236 and \$1,778,905, respectively.

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

NOTE 7 LOAN LOSS RESERVE (continued)

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

Changes in the loan loss reserve for the year ended December 31, 2015 were as follows:

2015	Housing	Community Facilities	Business	Child Care	Total
Balance Dec 31, 2014	\$ 360,466	\$ 233,132	\$ 706,549	\$ 339,401	\$ 1,639,548
Provision for Loan Losses	138,727	25,161	(37,487)	48,840	175,241
Recoveries of amounts charged off	12,000	-	166,344	9,680	188,024
	511,193	258,293	835,406	397,921	2,002,813
Amounts Charged off	(4,000)	(88,538)	(5,746)	(125,624)	(223,908)
Balance Dec 31, 2015	\$ 507,193	\$ 169,755	\$ 829,660	\$ 272,297	\$ 1,778,905

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:

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

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

NOTE 7 LOAN LOSS RESERVE (continued)

2015 Risk	Housing	Community Facilities	Business	Child Care	Total
Low	\$ 766,810	\$ 152,159	\$ 140,000	\$ -	\$ 1,058,969
Moderate	3,962,156	858,973	838,943	269,607	5,929,679
Average	5,696,830	654,321	4,177,348	2,417,829	12,946,328
Substantial	2,670,704	2,248,756	273,322	1,483,326	6,676,108
High	340,132	119,299	1,217,488	-	1,676,919
Workout	85,000	-	-	-	85,000
Total	\$ 13,521,632	\$ 4,033,508	\$ 6,647,101	\$ 4,170,762	\$ 28,373,003

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:

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

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

NOTE 7 LOAN LOSS RESERVE (continued)

2015	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Housing	\$ 13,521,632	\$ 13,521,632	\$ 507,193	\$ 12,137,246	\$ 618,446
Community Facilities	4,033,508	4,033,508	169,755	4,199,265	239,786
Business	6,647,101	6,647,101	829,660	6,160,248	428,844
Child Care	4,170,762	4,170,762	272,297	4,428,953	294,375
Total	\$ 28,373,003	\$ 28,373,003	\$ 1,778,905	\$ 26,925,712	\$ 1,581,451

For the years ended December 31, 2016 and 2015, \$1,616,997 and \$1,581,451 was recognized as interest income from the above loans.

As of December 31, 2016 and 2015, 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, 2016 and 2015, there were 3 equipment leases. Total equipment leases receivable at December 31, 2016 and 2015 were \$25,862 and \$33,036, respectively.

<i>Equipment Leases Receivable</i>	2016	2015
Loans Current, Per Terms of Loan	\$ 25,862	\$ 33,036
Loans Delinquent, 31-90 Days	-	-
Non-Performing Loans	-	-
Total	25,862	33,036
Less: Current Portion	(7,618)	(7,174)
Non-Current Portion	\$ 18,244	\$ 25,862

NOTE 9 PLANT AND EQUIPMENT

The following is a summary of net plant and equipment at December 31, 2016 and 2015:

Fixed Assets	Gross Fixed Assets 12/31/16	Accumulated Depreciation 12/31/16	Net Book Value 12/31/16	Gross Fixed Assets 12/31/15	Accumulated Depreciation 12/31/15	Net Book Value 12/31/15
Furniture, Fixtures and Equipment	\$ 98,847	\$ 91,110	\$ 7,737	\$ 93,415	\$ 88,203	\$ 5,212
Leasehold Improvements	14,679	14,679	-	14,679	14,679	-
Total	\$ 113,526	\$ 105,789	\$ 7,737	\$ 108,094	\$ 102,882	\$ 5,212

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

NOTE 10 DEFERRED REVENUE

At December 31, 2016 and 2015, deferred revenue was \$99,978 and \$0, respectively. Deferred revenue consists of unearned grant awards and is expected to be earned in subsequent years.

NOTE 11 LOANS PAYABLE

At December 31, 2016 and 2015, there were various loans payable. There were 532 loans, at December 31, 2016, which varied in amount from \$250 to \$1,247,000 with maturity dates from January 15, 2017 to January 12, 2045 and with interest rates from 0% to 4% with a weighted average rate of 1.62%. The loans from USDA, totaling \$4,987,659, 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 \$826,841, 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, 2016 and 2015 were \$27,019,707 and \$25,696,218, respectively.

Loans Payable	2016	2015
Total Loans Payable	\$ 27,019,707	\$ 25,696,218
Less: Current Portion	(6,768,519)	(6,465,003)
Non-Current Portion	\$ 20,251,188	\$ 19,231,215

Maturities at December 31, 2016 are as follows:

2017	\$ 6,768,519
2018	4,929,641
2019	4,700,420
2020	2,258,972
2021	1,510,177
Thereafter	<u>6,851,978</u>
	<u>\$ 27,019,707</u>

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.

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, 2016 and December 31, 2015 were as follows:

Net Assets	2016	2015
Temporarily Restricted Net Assets	\$ 999,917	\$ 859,133
Permanently Restricted Net Assets	1,516,244	1,517,174
Unrestricted Net Assets	8,182,167	7,422,598
Total Net Assets	\$ 10,698,328	\$ 9,798,905

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

NOTE 12 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of grant programs the Fund administers. At December 31, 2016 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), the Shared Services Program, and the Equipment Access Program (EAP).

The temporarily restricted net assets balances for GMP, VECA, BRLF, Shared Services and EAP as of December 31, 2016 and December 31, 2015 were as follows:

Temporarily Restricted Net Assets	2016	Income	Net Assets Released	2015
Green Mountain Power	\$ 446,969	\$ 153,075	\$ (73,432)	\$ 367,326
Vermont Early Childhood Alliance	159,733	273,245	(212,716)	99,204
Barre Area Revolving Loan Fund	233,785	-	(2,297)	236,082
Shared Services	-	500	(4,610)	4,110
Building Bright Futures for Bright Spaces Fund	-	57,600	(57,600)	-
Equipment Access Program	159,430	8,029	(1,010)	152,411
Total Temporary Restricted Net Assets	\$ 999,917	\$ 492,449	\$ (351,665)	\$ 859,133

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, 2016 and December 31, 2015 were as follows:

Permanently Restricted Net Assets	2016	Income	Net Assets Released	2015
Vermont Housing Conservation Board for Mobile Home Loan Subsidy Program - VHCB (now restricted to affordable housing)	\$ 146,907	\$ -	\$ (6,000)	\$ 152,907
USDA-RD Grants (three revolving loan funds), plus deposit interest	429,522	330	-	429,192
Economic Development Authority (EDA)	939,815	4,740	-	935,075
Total Permanently Restricted Net Assets	\$ 1,516,244	\$ 5,070	\$ (6,000)	\$ 1,517,174

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

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 2015 and 2016. Pension expense for the years ended December 31, 2016 and 2015 was \$51,167 and \$57,680, 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 SBA in 2014, the USDA IRP 30 in 2015, and the USDA RMAP in 2016. Each loan has been renewed at successive maturity since then, if applicable. At December 31, 2016, the Fund had \$2,453,235 in financing available.

Financing Commitments	Rate	Term (Yrs)	Financing Amount	2016 Outstanding Balance	Available Balance	2015 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 IRP 30 Loan	1.000%	30	1,000,000	934,265	65,735	647,750
USDA RMAP	2.000%	20	400,000	100,000	300,000	-
SBA Loan	0.125%	10	1,250,000	633,730	587,500	633,730
Total			\$ 4,150,000	\$ 1,667,995	\$ 2,453,235	\$ 1,281,480

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, 2016 was \$62,400 and for the year ended 2015 was \$61,500.

Future lease commitments are as follows:

Year	Rent
2017	\$ 62,400
2018	62,900
2019	64,100
2020	65,300
2021	38,500
	\$ 293,200

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, 2016

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, 2016 and 2015 are \$446,969 and \$367,326 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, 2016 temporarily restricted net assets in the VECA Fund were \$159,733, and \$99,204 at December 31, 2015.

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

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, 2016, the permanently restricted net assets in the EDA were \$939,815 and \$935,075 at December 31, 2015.

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, and it has attracted two investments to date including the Office of the Treasurer State of Vermont and the Vermont Community Foundation.

As of December 31, 2016, the unrestricted net assets in the NGF were \$219,101 and \$219,363 at December 31, 2015.

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, 2016 the FFF had 20 investors totaling approximately \$662,000 in loans payable and has approximately \$220,000 in loans receivable to five (5) borrowers.

As of December 31, 2016, the unrestricted net assets in the FFF were \$(12,120) and \$0 at December 31, 2015.

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, 2016, the temporarily restricted net assets were \$233,785 and \$236,082 at December 31, 2015.

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

NOTE 23 VERMONT NONPROFIT SHARED SERVICES NETWORK

The Vermont Community Loan Fund entered into a fiscal sponsor relationship with the Vermont Nonprofit Shared Services (Shared Services) Network on February 11, 2015.

Shared Services received a \$30,000 grant and entered into a contract with two consultants to develop a business plan for a new Vermont Nonprofit Shared Services Network. The Network would permit Vermont-based nonprofits to pool resources in order to enhance sustainability and encourage innovation in the nonprofit sector. A shared services network could provide Vermont's nonprofits economies of scale and could facilitate sharing "back office" functions, thereby enabling nonprofits to focus on programmatic concerns and would improve the quality of service delivery for those nonprofits and lead to healthier communities.

The original sponsorship ended December 31, 2015, however this was extended to January 31, 2016 to complete the project.

The \$4,110 in temporarily restricted net assets as of December 31, 2015 were fully utilized in 2016 leaving a zero balance as of December 31, 2016.

NOTE 24 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 2016 was \$64,000. Of this award, \$57,600 was distributed to grantees and \$6,400 was retained by the Fund per the grant authorization to cover reimbursement of expenses.

As of December 31, 2016 and 2015 the temporarily restricted net assets were \$0, respectively.

NOTE 25 SUBSEQUENT EVENTS

In accordance with accounting standards, the Fund has evaluated subsequent events through April 4, 2017, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2016, have been incorporated into these basic financial statements herein.

SUPPLEMENTARY INFORMATION

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
 COMBINING SCHEDULE OF FINANCIAL POSITION
 December 31, 2016

ASSETS	Operating Fund	Shared Services	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	SBA Fund
Current Assets:										
Cash and Cash Equivalents	\$ 780,629	\$ -	\$ -	\$ 313,125	\$ 189,810	\$ 3,144,959	\$ 259,468	\$ 1,377,370	\$ 387,173	\$ 547,505
Investments	-	-	-	-	-	2,490,777	-	-	-	-
Other Receivables-Current Portion	54,703	-	-	-	-	914,673	-	-	-	-
Loans Receivable - Current Portion	-	-	-	-	-	5,719,405	22,648	854,681	206,108	111,585
Equipment Lease - Current Portion	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	85,197	432	18,559	5,960	1,365
Prepaid Expenses	17,815	-	-	-	3,103	-	-	-	-	-
Due from Other Programs	131,473	-	-	-	-	-	-	75,234	306	1,488
Total Current Assets	<u>984,620</u>	<u>-</u>	<u>-</u>	<u>313,125</u>	<u>192,913</u>	<u>12,355,011</u>	<u>282,548</u>	<u>2,325,844</u>	<u>599,547</u>	<u>661,943</u>
Noncurrent Assets:										
Loans Receivable - Long-Term Portion	-	-	-	140,000	-	15,553,697	148,364	2,460,020	593,238	321,172
Equipment Lease - Long-Term Portion	-	-	-	-	-	-	-	-	-	-
Reserve for Loan Losses	-	-	-	-	-	(1,308,494)	(6,978)	(297,373)	(27,629)	(17,305)
Net Property, Plant and Equipment	7,592	-	-	-	145	-	-	-	-	-
Total Noncurrent Assets	<u>7,592</u>	<u>-</u>	<u>-</u>	<u>140,000</u>	<u>145</u>	<u>14,245,203</u>	<u>141,386</u>	<u>2,162,647</u>	<u>565,609</u>	<u>303,867</u>
TOTAL ASSETS	<u>\$ 992,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,125</u>	<u>\$ 193,058</u>	<u>\$ 26,600,214</u>	<u>\$ 423,934</u>	<u>\$ 4,488,491</u>	<u>\$ 1,165,156</u>	<u>\$ 965,810</u>
LIABILITIES AND NET ASSETS										
Current Liabilities:										
Accounts Payable	\$ 16,873	\$ -	\$ -	\$ 6,156	\$ 1,432	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	57,556	-	-	-	5,972	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	147,230	-	18,618	7,326	174
Due to Other Programs	-	-	-	-	25,921	160,309	584	-	-	-
Deferred Revenue - Current Portion	-	-	-	-	-	-	-	-	-	-
Loans Payable - Current Portion	-	-	-	-	-	5,623,012	-	205,170	-	184,823
Total Current Liabilities	<u>74,429</u>	<u>-</u>	<u>-</u>	<u>6,156</u>	<u>33,325</u>	<u>5,930,551</u>	<u>584</u>	<u>223,788</u>	<u>7,326</u>	<u>184,997</u>
Noncurrent Liabilities:										
Deferred Revenue - Long-Term	25,000	-	-	-	-	74,978	-	-	-	-
Loans Payable - Long-Term	-	-	-	-	-	14,162,605	-	3,748,224	934,265	642,018
Total Noncurrent Liabilities	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,237,583</u>	<u>-</u>	<u>3,748,224</u>	<u>934,265</u>	<u>642,018</u>
Total Liabilities	<u>99,429</u>	<u>-</u>	<u>-</u>	<u>6,156</u>	<u>33,325</u>	<u>20,168,134</u>	<u>584</u>	<u>3,972,012</u>	<u>941,591</u>	<u>827,015</u>
Net Assets:										
Unrestricted	892,783	-	-	-	-	6,285,173	(6,172)	516,479	223,565	138,795
Temporarily Restricted	-	-	-	446,969	159,733	-	-	-	-	-
Permanently Restricted	-	-	-	-	-	146,907	429,522	-	-	-
Total Net Assets	<u>892,783</u>	<u>-</u>	<u>-</u>	<u>446,969</u>	<u>159,733</u>	<u>6,432,080</u>	<u>423,350</u>	<u>516,479</u>	<u>223,565</u>	<u>138,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 992,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,125</u>	<u>\$ 193,058</u>	<u>\$ 26,600,214</u>	<u>\$ 423,934</u>	<u>\$ 4,488,491</u>	<u>\$ 1,165,156</u>	<u>\$ 965,810</u>

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
COMBINING SCHEDULE OF FINANCIAL POSITION
December 31, 2016

Schedule 1

ASSETS	RMAP Fund	EDA Fund	Equipment Access Program Fund	Barre Revolving Loan Fund	Food, Farms, and Forest Fund	Next Generation Fund	Elimination	Total
Current Assets:								
Cash and Cash Equivalents	\$ 78,583	\$ 543,968	\$ 133,664	\$ 106,592	\$ 361,405	\$ 192,130	\$ -	\$ 8,416,381
Investments	-	-	-	-	-	-	-	2,490,777
Other Receivables-Current Portion	-	-	-	-	-	-	-	969,376
Loans Receivable - Current Portion	10,744	102,025	-	4,485	78,130	208,049	-	7,317,860
Equipment Lease - Current Portion	-	-	7,618	-	-	-	-	7,618
Accrued Interest Receivable	211	943	-	249	1,131	14,487	-	128,534
Prepaid Expenses	-	-	-	-	-	-	-	20,918
Due from Other Programs	-	-	-	-	-	-	(208,501)	-
Total Current Assets	<u>89,538</u>	<u>646,936</u>	<u>141,282</u>	<u>111,326</u>	<u>440,666</u>	<u>414,666</u>	<u>(208,501)</u>	<u>19,351,464</u>
Noncurrent Assets:								
Loans Receivable - Long-Term Portion	30,923	293,659	-	124,849	224,879	598,826	-	20,489,627
Equipment Lease - Long-Term Portion	-	-	18,244	-	-	-	-	18,244
Reserve for Loan Losses	(1,668)	(70,803)	(1,034)	(6,933)	(12,120)	(30,899)	-	(1,781,236)
Net Property, Plant and Equipment	-	-	-	-	-	-	-	7,737
Total Noncurrent Assets	<u>29,255</u>	<u>222,856</u>	<u>17,210</u>	<u>117,916</u>	<u>212,759</u>	<u>567,927</u>	<u>-</u>	<u>18,734,372</u>
TOTAL ASSETS	<u>\$ 118,793</u>	<u>\$ 869,792</u>	<u>\$ 158,492</u>	<u>\$ 229,242</u>	<u>\$ 653,425</u>	<u>\$ 982,593</u>	<u>\$ (208,501)</u>	<u>\$ 38,085,836</u>
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Accounts Payable	\$ -	\$ 106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,567
Accrued Liabilities	-	-	-	-	-	-	-	63,528
Accrued Interest Payable	923	-	-	-	2,525	2,932	-	179,728
Due to Other Programs	14,537	674	96	2,390	714	3,276	(208,501)	-
Deferred Revenue - Current Portion	-	-	-	-	-	-	-	-
Loans Payable - Current Portion	-	-	-	-	5,264	750,250	-	6,768,519
Total Current Liabilities	<u>15,460</u>	<u>780</u>	<u>96</u>	<u>2,390</u>	<u>8,503</u>	<u>756,458</u>	<u>(208,501)</u>	<u>7,036,342</u>
Noncurrent Liabilities:								
Deferred Revenue - Long-Term	-	-	-	-	-	-	-	99,978
Loans Payable - Long-Term	100,000	-	-	-	657,042	7,034	-	20,251,188
Total Noncurrent Liabilities	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,042</u>	<u>7,034</u>	<u>-</u>	<u>20,351,166</u>
Total Liabilities	<u>115,460</u>	<u>780</u>	<u>96</u>	<u>2,390</u>	<u>665,545</u>	<u>763,492</u>	<u>(208,501)</u>	<u>27,387,508</u>
Net Assets:								
Unrestricted	3,333	(70,803)	(1,034)	(6,933)	(12,120)	219,101	-	8,182,167
Temporarily Restricted	-	-	159,430	233,785	-	-	-	999,917
Permanently Restricted	-	939,815	-	-	-	-	-	1,516,244
Total Net Assets	<u>3,333</u>	<u>869,012</u>	<u>158,396</u>	<u>226,852</u>	<u>(12,120)</u>	<u>219,101</u>	<u>-</u>	<u>10,698,328</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 118,793</u>	<u>\$ 869,792</u>	<u>\$ 158,492</u>	<u>\$ 229,242</u>	<u>\$ 653,425</u>	<u>\$ 982,593</u>	<u>\$ (208,501)</u>	<u>\$ 38,085,836</u>

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
 COMBINING SCHEDULE OF ACTIVITIES
 For the Year Ended December 31, 2016

	Operating Fund	Shared Services	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
Changes in Unrestricted Net Assets:									
Revenue and Support:									
Contributions	\$ 83,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	154,518	-	-	-	-	914,673	-	-	-
Financing Charges	55,986	-	-	-	-	-	-	-	-
Loan Interest	-	-	-	-	-	1,228,931	8,583	224,483	45,032
Net Investment Income	547	-	23	-	-	37,821	-	2,024	735
Other Income	42,831	-	-	-	-	163,011	-	93,449	-
Net Assets Released from Restrictions	-	4,610	57,600	73,432	212,716	6,000	-	-	-
Total Unrestricted Revenue and Support	337,640	4,610	57,623	73,432	212,716	2,350,436	8,583	319,956	45,767
Expenses:									
Program Services	1,052,471	4,610	57,600	70,378	212,716	805,155	(1,496)	64,761	5,934
Management and General	357,247	-	-	-	-	-	-	-	-
Fundraising	82,747	-	-	-	-	-	-	-	-
Total Expenses	1,492,465	4,610	57,600	70,378	212,716	805,155	(1,496)	64,761	5,934
Change in Unrestricted Net Assets Before Transfers	(1,154,825)	-	23	3,054	-	1,545,281	10,079	255,195	39,833
Transfers	1,233,342	-	(23)	(3,054)	-	(878,463)	(8,583)	(185,860)	(38,264)
Change in Unrestricted Net Assets After Transfers	78,517	-	-	-	-	666,818	1,496	69,335	1,569
Unrestricted Net Assets - January 1, 2016	814,266	-	-	-	-	5,618,355	(7,668)	447,144	221,996
Unrestricted Net Assets - December 31, 2016	\$ 892,783	\$ -	\$ -	\$ -	\$ -	\$ 6,285,173	\$ (6,172)	\$ 516,479	\$ 223,565
Changes in Temporarily Restricted Net Assets:									
Contributions	\$ -	\$ 500	\$ -	\$ 152,718	\$ 36,995	\$ -	\$ -	\$ -	\$ -
Grants	-	-	57,600	-	236,250	-	-	-	-
Net Investment Income	-	-	-	357	-	-	-	-	-
Lease Revenue	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	-	(4,610)	(57,600)	(73,432)	(212,716)	-	-	-	-
Change in Temporarily Restricted Net Assets	-	(4,110)	-	79,643	60,529	-	-	-	-
Temporarily Restricted Net Assets - January 1, 2016	-	4,110	-	367,326	99,204	-	-	-	-
Temporarily Restricted Net Assets - December 31, 2016	\$ -	\$ -	\$ -	\$ 446,969	\$ 159,733	\$ -	\$ -	\$ -	\$ -
Changes in Permanently Restricted Net Assets:									
Net Investment Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330	\$ -	\$ -
Net Loan Interest Income	-	-	-	-	-	-	-	-	-
Bad Debt Recovery Income	-	-	-	-	-	-	-	-	-
Change in Permanently Restricted Net Assets Before Transfers	-	-	-	-	-	-	330	-	-
Net Assets Released from Restrictions	-	-	-	-	-	(6,000)	-	-	-
Permanently Restricted Net Assets - January 1, 2016	-	-	-	-	-	152,907	429,192	-	-
Permanently Restricted Net Assets - December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,907	\$ 429,522	\$ -	\$ -

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
 COMBINING SCHEDULE OF ACTIVITIES
 For the Year Ended December 31, 2016

Schedule 2

	SBA Fund	RMAP Fund	EDA Fund	Equipment Access Program Fund	Barre Revolving Loan Fund	Food, Farms, and Forest Fund	Next Generation Fund	Total
Changes in Unrestricted Net Assets:								
Revenue and Support:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,758
Grants	-	-	-	-	-	-	-	1,069,191
Financing Charges	-	-	-	-	-	-	-	55,986
Loan Interest	31,261	754	14,686	-	2,177	12,466	46,937	1,615,310
Net Investment Income	2,252	154	-	205	2	593	295	44,651
Other Income	-	-	-	-	-	-	-	299,291
Net Assets Released from Restrictions	-	-	-	1,010	2,297	-	-	357,665
Total Unrestricted Revenue and Support	<u>33,513</u>	<u>908</u>	<u>14,686</u>	<u>1,215</u>	<u>4,476</u>	<u>13,059</u>	<u>47,232</u>	<u>3,525,852</u>
Expenses:								
Program Services	5,794	2,590	12,210	722	5,865	17,895	9,084	2,326,289
Management and General	-	-	-	-	-	-	-	357,247
Fundraising	-	-	-	-	-	-	-	82,747
Total Expenses	<u>5,794</u>	<u>2,590</u>	<u>12,210</u>	<u>722</u>	<u>5,865</u>	<u>17,895</u>	<u>9,084</u>	<u>2,766,283</u>
Change in Unrestricted Net Assets Before Transfers	27,719	(1,682)	2,476	493	(1,389)	(4,836)	38,148	759,569
Transfers	<u>(76,032)</u>	<u>5,015</u>	<u>-</u>	<u>(205)</u>	<u>(2,179)</u>	<u>(7,284)</u>	<u>(38,410)</u>	<u>-</u>
Change in Unrestricted Net Assets After Transfers	(48,313)	3,333	2,476	288	(3,568)	(12,120)	(262)	759,569
Unrestricted Net Assets - January 1, 2016	<u>187,108</u>	<u>-</u>	<u>(73,279)</u>	<u>(1,322)</u>	<u>(3,365)</u>	<u>-</u>	<u>219,363</u>	<u>7,422,598</u>
Unrestricted Net Assets - December 31, 2016	<u>\$ 138,795</u>	<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>
Changes in Temporarily Restricted Net Assets:								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,213
Grants	-	-	-	5,000	-	-	-	298,850
Net Investment Income	-	-	-	-	-	-	-	357
Lease Revenue	-	-	-	3,029	-	-	-	3,029
Net Assets Released from Restrictions	-	-	-	(1,010)	(2,297)	-	-	(351,665)
Change in Temporarily Restricted Net Assets	-	-	-	7,019	(2,297)	-	-	140,784
Temporarily Restricted Net Assets - January 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,411</u>	<u>236,082</u>	<u>-</u>	<u>-</u>	<u>859,133</u>
Temporarily Restricted Net Assets - December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,430</u>	<u>\$ 233,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 999,917</u>
Changes in Permanently Restricted Net Assets:								
Net Investment Income	\$ -	\$ -	\$ 1,553	\$ -	\$ -	\$ -	\$ -	\$ 1,883
Net Loan Interest Income	-	-	1,687	-	-	-	-	1,687
Bad Debt Recovery Income	-	-	1,500	-	-	-	-	1,500
Change in Permanently Restricted Net Assets Before Transfers	-	-	4,740	-	-	-	-	5,070
Net Assets Released from Restrictions	-	-	-	-	-	-	-	(6,000)
Permanently Restricted Net Assets - January 1, 2016	<u>-</u>	<u>-</u>	<u>935,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,517,174</u>
Permanently Restricted Net Assets - December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 939,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,516,244</u>