

FEDERAL ELECTION COMMISSION RECEIVED

LEAHY FOR U.S. SENATOR COMMITTEE
AKA
FRIENDS OF PAT LEAHY
P.O. BOX 53
BURLINGTON, VERMONT 05402-0053

92 JUL 14 PM 5:41
JUL 15 11 3 37

July 10, 1992

Bradley Litchfield, Esq.
Associate General Counsel
Federal Elections Commission
999 E Street, N W.
Washington, D.C. 20463



Dear Mr Litchfield

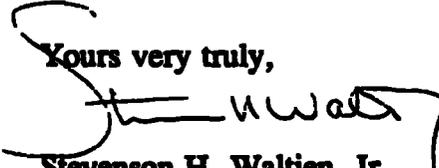
AOR 1992-28

Pursuant to our telephone conversation of June 24th, please find enclosed the following documents and information which you requested.

1. LETTER OF INTENT from friends of Pat Leahy to the Vermont Community Loan Fund, dated June 26, 1992
- 2 Articles of Incorporation, By-Laws, and various other pieces which describe both the legal organization and the operations of the Vermont Community Loan Fund.
- 3 No interest or dividends will be paid by the Vermont Community Loan Fund to our committee

You will recall that you had raised the "concern" that, as a corporation, the VCLF may not be able to return the proposed \$50,000, 90 day-to-one year investment which the Leahy for U.S Senator Committee (AKA FRIENDS OF PAT LEAHY) wishes to make in the fund. We hereby formally request that you review this matter an issue us an advisory opinion allowing us to make this investment and for the VCLF to return the funds to us, as outlined in the letter of intent. We view this as no different than an investment in a Certificate of Deposit in a bank (also a corporation) and hope the F E.C. will issue the advisory opinion on that premise.

I greatly appreciate your willingness to try and find a way for us to make this short term investment in a very worthwhile organization and look forward to your decision (trusting that it shall be a positive one).

Yours very truly,

Stevenson H. Waltien, Jr.
Treasurer

cc. Hon. P. J Leahy, USS

RECEIVED
JUN 27 1992

FRIENDS OF PAT LEAHY

P. O. Box 53

Burlington, Vermont 05402-0053

June 26, 1992

Nancy Wasserman, Fund Manager
Vermont Community Loan Fund
P.O. Box 827
Montpelier, VT 05601-0827

Dear Nancy:

Confirming our several conversations, Senator Leahy has asked and authorized me to make available to your organization, for the purpose of assisting you in making loans to projects which provide long term access to and control over housing, land and capital for low income and other disadvantaged groups, campaign funds in the amount of \$50,000. The terms of this investment are as follows:

1. \$50,000 will be made available to the Fund by check on or before June 30, 1992.
2. Investment of said funds are subject to approval by the Federal Elections Commission of the terms of this letter of intent. Their opinion is anticipated within sixty days. Should the F.E.C. decide that this investment is not in keeping with regulations governing federally regulated campaign committees, then the funds must be returned to the Leahy For U.S. Senator Committee within five business days of such notification.
3. The investment must be repaid in full on or before June 30, 1993 or upon my earlier written request for repayment. An earlier request for repayment will not be made unless circumstances make it necessary and in any event no request will be made before September 30, 1992.
4. These funds are being made available from the Friends Of Pat Leahy Segregated Fund.

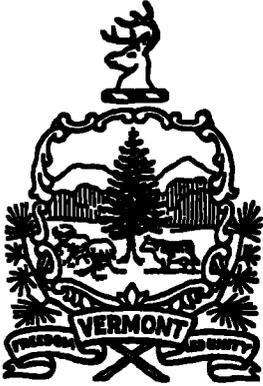
If these terms are acceptable to you, please sign and return to me the enclosed copy of this letter as soon as possible.

Senator Leahy is delighted that he is able to assist the Vermont Community Loan Fund and its programs in this way. Best wishes for success in your worthwhile endeavors.

Stevenson H. Waltien, Treasurer

Agreed and Accepted
Vermont Community Loan Fund

(Date)



STATE OF VERMONT
Office of Secretary of State

CERTIFICATE OF AMENDMENT

I certify that according to the Vermont Non-profit Corporation Act (11 V.S.A. Chapter 19) the attached is a true copy of the Articles of Amendment of

VERMONT COMMUNITY LOAN FUND, INC.

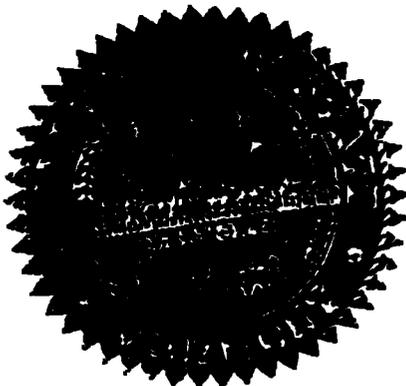
filed with the Office of the Secretary of State on December 14, 1987
The Articles of Association have been amended accordingly

The Articles of Association have been amended accordingly

See attached

December 14, 1987

Date



Paul Spiller
Deputy Secretary of State

pd
10
cash

N-5772

Fee \$10 00



STATE OF VERMONT
Office of Secretary of State

AMENDMENT OF ARTICLES OF ASSOCIATION
OF

VERMONT COMMUNITY LOAN FUND, INC.

a NON-PROFIT corporation, having no capital stock, organized and existing under the laws of the State of Vermont

We, the undersigned, certify that (check and complete the statement that applies)

- at a meeting of members, duly called for that purpose and held on November 20,
19 87, a quorum was present, and it was voted by two-thirds of the members present, or voting by proxy, to amend the articles of this corporation as follows, viz
- the following amendment was adopted by a consent in writing signed by all members entitled to vote
- there being no members entitled to vote thereon, the directors of this corporation met on _____, 19____ and at that meeting a majority of the directors then in office voted to amend the articles of association of this corporation as follows, viz..

See attached

11/20/87
Date

[Signature]
President/V President

[Signature]
Secretary/Ass't Secretary

VCLF Amended Articles of Association
Page Two

Upon the dissolution of the Corporation, assets shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, or corresponding sections of any future federal tax code, exclusively to one or more organizations which shall have purposes similar to that of the corporation and which shall at the time qualify as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or corresponding sections of any future federal tax code. Any such assets not so disposed of shall be disposed of by the Superior Court of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

Jim3:VCLF

The following information must be completed by PROFESSIONAL CORPORATIONS

In compliance with the Professional Corporation Act 11 V S A Chapter 3 the _____

(Name of Regulating Board)

_____ hereby certifies that the below listed incorporators, officers, directors and shareholders of this Professional Corporation are duly licensed or admitted to practice the profession for which this corporation is to be organized. NOTT One individual may incorporate, be officer, director and shareholder in a Professional Corporation.

Incorporators Address License No Expiration Date

Officers

Directors

Shareholders

Do not write below this line. To be completed by the VERMONT REGULATING BOARD

Name of Regulating Board

BY
TITLE

No

ARTICLES OF ASSOCIATION

OF THE

VERMONT COMMUNITY LOAN FUND, INC

pd
\$35.00

STATE OF VERMONT

Secretary of State's Office

Filed

January 12, 1987

James H. Dowd
Secretary of State

The corporation shall in no event carry on any activities not permitted to be carried on by an organization described in sections 501(c)(3), 509(a)(2), 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code.

Upon dissolution or final liquidation of the corporation, the board of directors shall, after paying or making provision for the payment of all of the liabilities of the corporation, distribute all the assets of the corporation exclusively to one or more organizations which shall have purposes similar to that of the corporation and which shall at the time qualify as exempt from federal income taxation under sections 501(a) and 501(c)(3) of the Internal Revenue Code.

References herein to sections of the Internal Revenue Code are to provisions of the Internal Revenue Code of 1954, as amended, as those provisions are now enacted or to corresponding provisions of any future United States revenue law.

ATTACHMENT C

INCORPORATORS OF THE VERMONT COMMUNITY LOAN FUND CORPORATION

Jack Northrup
c/o NCIC
20 Main Street
St. Johnsbury, VT 05819

Gustave Seelig
Box 77
E. Calais, VT 05650

Artemis Joukowsky
RD #1, Box 34
Calais, VT 05648

James M. Libby, Jr.
P.O. Box 823
Montpelier, VT 05602

William St. Cyr
P.O. Box 27
Marshfield, VT 05658

Lawrence Mires
28 Liberty Street
Montpelier, VT 05602

Jeffrey Staudinger
RD 1, Box 42
So. Royalton, VT 05068

Pauline Nichol
11 Lincoln Ave.
Montpelier, VT 05602

Chris Wood
P.O. Box 281
Montpelier, VT 05602

David G. White
54 Liberty St.
Montpelier, VT 05602

**VERMONT COMMUNITY LOAN FUND, INC.
BY-LAWS**

**ADOPTED NOVEMBER 20, 1987
AMENDED MAY 18, 1988, OCTOBER 26, 1989, JUNE 14, 1990,
APRIL 25, 1991, MARCH 19, 1992**

ARTICLE I

Name and Location of Corporation

The name of this organization shall be Vermont Community Loan Fund, Inc. (VCLF). Its principal office is located at Montpelier, VT

ARTICLE II

Form of Organization

The organization shall be a non-profit, incorporated voluntary association, organized pursuant to the Vermont Non-Profit Corporation Act.

ARTICLE III

Purpose

Corporate Purpose

To provide loans and financial, technical and other support to community based housing and economic development projects for low income and other disadvantaged households.

In meeting this general goal we are particularly concerned with:

- 1) Making loans to projects which provide long-term access to and control over housing, land and capital for low-income and other disadvantaged groups who are denied such access through conventional channels;
- 2) Encouraging the elimination of discrimination in access to housing, credit and economic opportunities,
- 3) Promoting models of ownership or tenant control which prevent speculation and guarantee that housing remains affordable for successive generations,
- 4) Stimulating and encouraging, whenever possible, the revitalization of neighborhoods and communities;
- 5) Conducting public discussion groups, forums, panels, lectures, and other similar programs designed to educate the public about the housing and economic needs of low income and other disadvantaged households.

ARTICLE IV

Directors

Section 1. Number. The Board of Directors shall consist of not more than seventeen (17) and no less than twelve (12) members in good standing, which number shall include the Officers.

Section 2. Place of Meetings. Meetings of the Directors shall be held at the principal office or place of business of the Corporation or at such other suitable place convenient to the membership as may be designated by the Secretary.

Section 3. Membership on the Board of Directors will include, but not be limited to, individuals representing:

- a) lending institutions;
- b) lower income community;
- c) community-based nonprofit organizations developing or providing housing to lower income people in Vermont;
- d) investors in VCLF

Section 4. Qualifications. All members of the Board shall be in agreement with the corporate purposes of the organization.

Section 5. Nomination. Candidates for the Board shall be presented by the Nominating Committee. Nominations may also be made from the floor of the Annual Meeting by petition of no fewer than three Board members

Section 6 Election and Term of Office. The Directors shall be elected by the Board at the first annual meeting. The term of office of half of the Directors shall be fixed for three (3) years and the term of office of the other half of the Directors shall be fixed for two (2) years. At the expiration of the initial term of office of each respective Director, his or her successor shall be elected to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting. Terms of office may be renewed upon recommendation of the Nominating Committee. However, no Director may serve more than three terms consecutively unless one term was less than two years. Elections for Directors shall take place at the Annual Meeting.

Section 7. Vacancies. Vacancies among Directors shall be filled as soon as possible by vote of the Board following recommendations of the Nominating Committee. The persons so elected shall serve out the unexpired portion of the term

Section 8. Resignations. Any Director may resign, which resignation shall be effective on giving written notice to the Secretary, unless otherwise specified in the notice. Any member of the Board of Directors who shall be absent from three (3) consecutive Board meetings without satisfactory explanation to the Board shall be regarded as thereby resigning from the Board and shall be so notified by the Secretary

Section 9. Removal. Any Director may be removed with or without cause by an affirmative vote of two-thirds of the Directors

Section 10. Compensation. No compensation shall be paid to Directors for their service as Directors

Section 11. Powers. The property and affairs of the Fund shall be directed and controlled by the Board of Directors.

Section 12. Conflicts of Interest. Directors and members of all committees shall be under an affirmative obligation, in regard to any matter under consideration by the Board or by their committee, to disclose any actual or potential conflicts of interest of themselves or of members of their families or any organization with which they are affiliated. Directors having any such interests may participate in the presentation but shall not participate in the discussion of the motion on, or decision of such matter

Section 13. Executive Committee. The Board of Directors may, by resolution adopted by a majority of the directors in office, appoint an Executive Committee to exercise interim authority of the Board. The Executive Committee shall consist of the President, Vice President, Secretary,

Board members who have been absent from three (3) consecutive meetings without satisfactory explanation to the Board or who shall otherwise have been removed from the Board; attending all meetings of the Board of Directors and keep, or cause to be kept, the minutes; and shall, in general, perform all duties incident to the office.

Section 7. Treasurer. The Treasurer shall be the overseer of finances of the Corporation and shall have the custody and control of its funds; shall have the authority to open bank accounts in the name of the Corporation; shall have the authority to co-sign, with the President, Vice-President, Secretary, or Fund Manager, checks and drafts and other papers requiring the payment of money, shall cause all debts and obligations of the Corporation to be paid when due; shall keep an account of all receipts and disbursements which shall be open for inspection by the Board of Directors and the auditors at all times; shall furnish an annual financial statement at each annual meeting of the membership which statement shall be certified by an independent certified public accountant; shall perform such other duties as may be authorized and directed by the Board of Directors.

Section 8. Check Signing. Checks of and over an amount designated by the Board shall be signed by any two of the following: President, Vice President, Treasurer, Secretary and Fund Manager.

Section 9. Resignation. Any officer may resign, which resignation shall be effective on giving written notice to the Secretary unless otherwise specified in the notice.

Section 10 Removal. Any officer may be removed by the affirmative vote of a two-thirds majority of the Directors present if the notice of the meeting at which such vote is taken stated the proposed removal.

ARTICLE VI

Membership

The membership of the Corporation shall consist solely of the members of the Board of Directors.

ARTICLE VII

Fund Manager

Section 1. The Board may appoint or hire a Fund Manager to be primarily responsible for the day-to-day operations of the Corporation, including but not limited to soliciting loans to the Fund and seeking applications for loans from the Fund, and processing loan applications for decision by the Loan Committee and Directors, hiring and firing of other personnel

Section 2. The Fund Manager shall be primarily responsible for keeping current and accurate records for the operations of the Corporation

Section 3. The Fund Manager shall be a member of the Loan Committee without voting rights.

Section 4. The Fund Manager shall serve until he or she resigns or is replaced by the Board of Directors.

Section 5. The Fund Manager may act on behalf of the corporation in the signing of all contracts and obligations when so authorized by the Board of Directors.

ARTICLE VIII

Standing Committees

ARTICLE IX

Audit

The books of the Corporation shall be audited annually, by a certified accountant appointed by the President and approved by the Board of Directors. The report shall be filed with the records of the Corporation. A summary of this report shall be presented to the membership at the annual meeting.

ARTICLE X

Fiscal Year

The fiscal year of the Corporation shall coincide with the calendar year (January 1 through December 31).

ARTICLE XI

Parliamentary Authority

Robert's Rules of Order Revised shall constitute the ruling authority in all corporate proceedings in which they are not inconsistent with these By-Laws or with any statute of the State.

ARTICLE XII

Indemnification of Directors and Officers

Section 1. Rights Subject to limitations in this Article, the Fund shall indemnify its directors and officers, including those formerly holding such positions, for all claims and liabilities actually and reasonably incurred, including reasonable expenses and attorneys fees, to which they may become subject by reason of their positions with the Fund or their actions on its behalf or by reason of their service as a director, officer or other agent of another organization at the request of the Fund. Such indemnification shall apply whenever such person is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Fund). The Fund may directly pay or settle any such claims and liabilities as are determined by the Board of Directors. The foregoing shall not be exclusive of any other rights to which such persons may be lawfully entitled.

Section 2. Limitations No indemnification shall be provided for any person with respect to any matter as to which he or she is determined not to have acted in good faith in the reasonable belief that the action was in, or not opposed to, the best interests of the Fund, and, with respect to any criminal action or proceeding, where the person is not determined to have had no reasonable cause to believe the conduct was unlawful. If these determinations are not made in a legal proceeding related to the claim, they may be made by the Board of Directors. If not made or able to be made by either, the determination shall be made by independent legal counsel appointed by the Funds. Payment of expenses incurred in defending a civil or criminal proceeding in advance of its final disposition may be made only upon receipt by the Fund of an undertaking to repay such amounts if the person shall be determined to be not entitled to indemnification under this Article.

ARTICLE XIII

In Event of Dissolution

Section 1. Upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the

Information for Investors

(Offering Memorandum)

March 23, 1992

Vermont Community Loan Fund, Inc

12 State Street

Post Office Box 827

Montpelier, VT 05601

802 223-1448

Social Investment Notes

(Unspecified Amount)



THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION, THE STATE OF VERMONT DEPARTMENT OF BANKING, INSURANCE AND SECURITIES OR ANY OTHER STATE SECURITIES AGENCY. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES AGENCY HAS PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING.

EXCEPT AS OTHERWISE PROVIDED HEREIN, NO OFFERING LITERATURE IN ANY FORM IS AUTHORIZED TO BE USED IN THE OFFERING OF THESE SECURITIES EXCEPT FOR THIS MEMORANDUM. NO PERSON IS AUTHORIZED TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM, AND IF MADE, SUCH REPRESENTATION MUST NOT BE RELIED UPON.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS UNAUTHORIZED OR UNLAWFUL.

The Vermont Community Loan Fund, Inc. is a nonprofit organization providing loans and financial, technical and other support services to community-based housing projects for low-income and other disadvantaged groups. By providing loan capital, the organization is able to assist lower income Vermonters to gain access into affordable housing and leverage additional financing.

The Fund is seeking to increase its loan fund for affordable housing projects through issuance of Social Investment Notes. A range of options is available as to rates, terms and repayment schedules. The investment objectives of Social Investment Notes are to maintain principal, to provide an opportunity to earn a modest financial return and to use these funds to make available low-cost financing for affordable housing projects in Vermont. This investment option is suitable only for persons who are interested in investing in a socially-conscious manner within Vermont.

Description of the Organization

The Vermont Community Loan Fund, Inc. ("VCLF" or "the Fund"), was organized in 1987 by a group of individuals working in the areas of affordable housing and economic development throughout Vermont. This group was aware of the increasing need for lower-cost capital especially for acquisition and interim financing of viable projects. While many of these projects were and are eligible for financing from both commercial lending institutions and public programs, there remains a need for additional low-cost financing to provide bridge financing, to reduce operating expenses in the project's initial years, to attract commercial lenders or simply to keep rents as affordable as possible.

VCLF was organized as a nonprofit corporation under the laws of the State of Vermont. In April of 1988, the VCLF was recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and given an advance ruling stating that the VCLF is a publicly supported organization and not a private foundation. The advance ruling period expired on December 31, 1991. VCLF is currently in the process of obtaining a permanent ruling on its non-profit status.

Capitalization of the Fund began in June of 1988. As of March 20, 1992, there are 118 individuals or organizations with active investments totalling \$1,325,606 in the Fund. Twenty-one gifts of permanent capital totalling \$116,519 have also been received.

Purposes of the Fund

The Vermont Community Loan Fund was organized for the following purposes:

- 1) To make loans to projects which provide long-term access to and control over housing, land and capital for low-income and other disadvantaged groups who are denied such access through conventional channels;
- 2) To encourage the elimination of discrimination in access to housing, credit and economic opportunities,
- 3) To promote models of ownership or tenant control which prevent speculation and insure long-term affordability,
- 4) To stimulate and encourage, where possible, the revitalization of neighborhoods and communities;
- 5) To educate the public about the housing and economic needs of low-income and other disadvantaged groups

Need for the Fund

It is a well accepted standard of affordability that a household should pay no more than 30% of their income for their housing costs. According to the 1990 Census, the median value of an owner-occupied home in Vermont is \$95,500. Even with today's lower interest rate financing, a home costing this amount would require a downpayment of at least \$4,775 and a minimum household income of \$36,100, yet the median Vermont

household income is only \$30,700. It is estimated that four out of every five Vermont homeowners could not purchase their home in today's market.

The 1990 Census also reports the median rent for a unit in Vermont is \$378. A household needs to earn at least \$17,000 for this median rent to be affordable. In other words, two adults working full-time at minimum wage can barely afford the median rent of an apartment in Vermont.

Ironically, as the need for affordable housing has increased, programs which have historically provided housing have all but disappeared. Most federal housing subsidy programs have been dismantled or severely cut and changes in federal tax laws make it far less profitable to own or build rental housing. Furthermore, more stringent mortgage requirements have become standard fare as banks rely on the secondary market to provide long-term financing.

Lending Activities of the Fund

The Fund has been operating since June of 1988. As of March 20, 1992, the Fund had committed fifty-five loans to borrowers. Ten loans have been fully repaid, thirty loans are being paid according to schedule, eight have been refused and seven are awaiting closing. The total amount of funds that has been or is expected to be lent equals \$1,640,392 to 26 different borrowers. The VCLF has experienced no defaults and no delinquencies.

Typically, projects receiving financing from VCLF also receive financing from banks and a variety of public sources. Although each VCLF loan is unique, typical financing needs met by VCLF are outlined below:

- interest-only and amortizing loans to community land trusts to acquire housing which will be sold to the tenant using a lease to purchase scenario,
- loans for acquisition and rehabilitation of rental housing by non-profit organizations;
- interim land acquisition and construction loans for affordable housing which is likely to receive other long-term, low-interest permanent financing,
- loans for acquiring affordable housing which will provide shelter for people who are developmentally disabled, young adults in the custody of Social and Rehabilitative Services or individuals who were formerly homeless,
- loans for acquiring buildings which will be used as shared elder housing.

Lending Policies

The structure, administration and criteria for all VCLF lending are outlined in the organization's written Policies and Procedures. Projects seeking financing from the Fund are reviewed by staff and evaluated by the Loan Review Committee based on several criteria including:

- a) the effectiveness with which the project provides resources to the community, encourages full participation, builds capacity and eliminates discrimination,
- b) the extent to which the project provides long-term benefits to low-income persons and the community at large,
- c) the ability and potential of the loan applicant to successfully carry out the project;
- d) the ability of the loan applicant to repay the loan,
- e) the ability of the loan to leverage other financing from public agencies, financial institutions or other organizations,
- f) the applicant's access to technical assistance and development expertise,
- g) the inability of the applicant to find sufficient funding elsewhere.

If a project receives approval from the Loan Review Committee, it is then reviewed by the entire Board of Directors. Loan repayment schedules are negotiated between the Fund Manager and the loan applicant on a case-by-case basis according to the instructions of the Board. In setting the terms, the Fund considers the requirements of the original lender(s) of the funds, the financial ability of the borrower, and the resources of the Fund. VCLF endeavors to provide the borrower with a loan at as short a term and high an interest rate as will allow the project to work. In all cases, a loan from the Fund will be at a rate less than commercially-available interest rates.

All loans to borrowers are secured, generally through a mortgage at the appropriate lien position. In unusual circumstances, the Fund may consider an unsecured loan of up to \$5,000 for not more than 5 years. An unsecured loan may only be approved if a sufficient loan loss reserve exists. All borrowers from the Fund are required to submit periodic written reports describing the financial and operational status of the project, and of the sponsoring organization.

Portfolio Management and Monitoring

The VCLF Board has established a Loan Monitoring Committee which meets semi-annually to monitor the loan portfolio to ensure compliance with VCLF policy, identify deteriorating loans and recommend strategies for preventing or minimizing loan loss. The committee is also charged with reviewing VCLF loan procedures and recommending needed changes. An additional measure of protection is intended to be accorded through regular staff monitoring of loans and provision of technical assistance and other support services to borrowers.

The Fund maintains a loan loss reserve of the greater of \$50,000 or 5% of its loans receivable, adjusted quarterly. The Fund also strives to maintain permanent capital (equity) in the Loan Fund at 10% of its total assets. By policy, the Fund cannot receive any new investments if its equity position in the Loan Fund drops below 7.5% of its assets. VCLF is prohibited, by policy, from lending in excess of 20% of its assets to any one borrower.

The Fund is a member of the National Association of Community Development Loan Funds (NACDLF), an association whose mission is to strengthen the performance of, to increase the capital managed by, and to build support for the community development loan fund industry as a catalyst for economic justice. NACDLF provides both loan capital and informational resources for its 41 member funds. As of December 31, 1991, over \$100 million had been lent to borrowers by NACDLF members. Collectively, NACDLF members have experienced lifetime loan losses of just over 1%. The past performance of other community loan funds is provided for informational purposes only. VCLF makes no warranties concerning other loan funds or its own future performance.

Organizational Management of the Fund

The day-to-day activities of VCLF are managed by the Fund Manager who serves at the pleasure of the Board of Directors. The Fund Manager is expressly responsible for soliciting loans, helping borrowers to develop applications to the Fund, processing loan applications for the Loan Review Committee and the Board, and hiring and firing of other personnel. She is also charged with executing all promissory notes and loan agreements with investors and approved borrowers. The Project Coordinator, who reports to the Fund Manager, is responsible for providing technical assistance to actual and potential borrowers. The Business Manager is responsible for maintaining the organization's financial records.

VCLF is directed and controlled by a Board of Directors. Directors are nominated by a Committee and elected by the Board. The skills and experience of the directors represent a wide range of expertise in housing and economic development, real estate, community organizations and financial management. Members of the Board include borrowers, investors and providers of technical assistance. The organization's By-laws specify that Directors have an affirmative obligation to disclose any actual or potential conflicts of interest of themselves or members of their families or any organization with which they are affiliated. The Board has the following

standing committees - Capitalization, Loan Monitoring, Loan Review, Long-Range Planning, Nominating and Personnel. All of the Committees include both Board and non-Board participants. Members of the Board of Directors and its committees serve the Fund in a voluntary, uncompensated capacity and for the most part, under limited commitments of their time. Summary resumes of the staff, Directors and other committee members are presented in Exhibit A.

The Fund's administrative expenses are provided through grants, donations, and the interest generated from a small percentage mark-up charged on all loans. Audited financial statements are attached as Exhibit B.

Terms of Investment

Any individual or organization may invest in the Fund. Investors may designate the term of their investment, the interest rate, and schedule of repayment as well as a preference for the focus or geographic locale of potential borrowers. VCLF accepts investments whenever there is a reasonable likelihood that the funds can be placed responsibly in accordance with both the investor's wishes and the overall purposes of the Fund.

In order to best serve its borrowers, the Fund requests Social Investment Notes to be at least \$1000 for a term of not less than one year. Rate of return can vary from no interest to levels comparable to money market funds depending on the investor's wishes. Lower interest investments allow us to provide greater resources to community organizations. Investors are urged to consider their personal situation in determining the rate of return they desire.

To make an investment, an investor fills out the VCLF Response Form which details the amount, rate, terms and repayment schedule. Common repayment options are to receive interest payments on either a quarterly, semi-annual or annual basis and defer payment of the principal until the end of the loan period or to defer all payment until the end of the loan period. Any other combination that fits the needs of the investor will be considered. Upon receipt of the response form, VCLF staff prepares a loan agreement and related promissory note outlining the terms of the Social Investment Note. If the documents meet the investor's approval, they are signed and returned to VCLF with a check.

Social Investment Notes are not insured nor are they secured through the grant of any interest in property of the Fund. Investments are not negotiable. The Fund will provide all investors with annual reports containing audited financial statements. Interim unaudited quarterly financial statements are available upon request. Investments in the Fund are not tax deductible nor are they considered income when the principal is repaid. Any accrued interest is fully taxable to the investor.

Vermont taxpayers may be eligible to receive a housing investment tax credit on their state income taxes if they invest their funds at less than or equal to the 'charitable investment rate' as set by the Vermont Commissioner of Taxes. Both the amount of the credit and the charitable investment rate vary on an annual basis as adjusted each July 1. If you are interested in knowing more about the credit, please request current information from the Fund Manager.

VCLF's Board of Directors, in its discretion and upon request by an investor, may redeem any Social Investment Notes before maturity. The Board of Directors, on its own initiative, may prepay any Note without penalty.

Donations to the Vermont Community Loan Fund, which are tax-deductible, are also welcome. Gifts may be unrestricted or designated for operating expenses, providing technical assistance, or loans. Contributions enhance VCLF's ability to meet the varied financial needs of its borrowers.

Special Risk Factors

The Social Investment Notes offered by the Vermont Community Loan Fund are subject to certain risks which should be carefully considered by any potential investor. Special risk factors identified by the management of the Fund include the following

High-risk operations. The Fund is operated largely to meet financing needs not commercially serviceable due to the cost of the financing, the limited debt coverage ratio or the ratio of loan to value. The size of its loans may also be large in relation to its funding base, and its mortgage position may frequently be of a subordinate priority. Thus, the activities of the Fund are expected to involve an inherently higher degree of risk than that generally associated with lending activities. Any losses in its loan portfolio, to the extent they might exceed its permanent capital, could thus seriously affect the financial position of the Fund.

Balloon Loans. A significant portion of VCLF loans to borrowers are balloon loans - these are loans in which the amortization schedule is substantially longer than the duration of the loan commitment. VCLF maintains policies limiting the total percentage of loan capital that can be committed as balloon loans and the percentage of permanent capital that can be committed as a balloon loan to any one project. Nonetheless, there is an inherent risk in these loans in that the borrower may not be able to secure additional financing at the time the balloon is due and will therefore be unable to repay the Loan Fund.

Limited capitalization. Although the Fund's net interest income can cover the cost of administering the fund, VCLF is dependent on grants and contributions to meet its need for permanent capital funds and to cover the costs of soliciting additional loan capital and providing technical assistance and monitoring to borrowers. While VCLF has been successful in raising funds for its loan loss reserve and to meet its current administrative expenses, there can be no assurance this success will continue. The Fund is under no commitment to return the proceeds of Social Investment Notes if minimum capital funds or grants for operating expenses are not obtained.

Uninsured indemnification obligations. VCLF does not presently carry any insurance in regard to its indemnification obligations to its directors and officers. It does, however, benefit from a partial charitable immunity under state law. The possibility of incurring indemnification liabilities before such coverage is obtained may have significant effects upon the Fund.

No assured participation in management. Control of the Fund is exercised by the Board of Directors which is self-perpetuating in that the nomination and election of directors is controlled by the same persons who constitute the Board.

Governmental regulation. The Fund is not subject to any governmental regulation or supervision in regard to its lending activities. While the management of the Fund does not consider this a significant factor, the absence of such regulation, together with the possibility of future regulation of this type, may negatively affect the Fund.

Conflicts of interest. The management of the Fund must necessarily balance the interests of its investors with the interests of its borrowers and the needs of the Fund itself. This situation may cause potential conflicts of interests, particularly in the event that these interests become divergent. Potential conflicts of interest may be compounded by the absence of a trust indenture with respect to Social Investment Notes and the lack of any governmental regulation.

No public market. There is no public market for Social Investment Notes nor is it expected any such market will develop. As a consequence, an investment in a Social Investment Note cannot be easily liquidated through sale or other transfer for value.

Unsecured loan obligations. Social Investment Notes are unsecured and uninsured. They rest only upon the general credit of the Fund which has not been established by any conventional means. Neither are such Notes escrowed or subject to a trust indenture or any sinking fund obligations. There is no assurance liquid assets will be available to pay accrued interest or to repay principal when it is due.

Plan of Distribution

Investments in the Fund may be made only through the Fund Manager or other officers of VCLF. The Fund retains the right, in its sole discretion, to accept or reject any investment.

Social Investment Notes are intended to be used by VCLF to augment its revolving loan fund and not to pay the expenses of administration or expenses of the offering of these securities (of which the latter is estimated to be \$200). It is intended that such expenses, to the extent that they are not covered by the net interest earned on Social Investment Notes, will be funded through separate grants solicited for this purpose. While it is the Fund's intention to apply the proceeds of these investments as indicated, the Fund reserves the right to alter the application of proceeds should business exigencies so require.

Additional information

Any prospective investor having any questions or wishing to review any of the Fund's corporate records should contact the Fund Manager, Nancy Wasserman. VCLF's office is currently located on the second floor at 12 State Street in Montpelier, Vermont. The telephone number is 802 223-1448.

Additional materials that are available to prospective investors upon request include the Fund's articles of incorporation, code of by-laws, IRS determination letter, the most recent audit and accountant's review letter, most recent federal information return (Form 990), sample loan agreement and promissory note. Further materials regarding lending activities that are available include statement of policies and procedures and sample loan agreements with borrowers.

VCLF's staff will provide a prospective investor with any additional information relating to this offering as such person may wish to have. No agent of the Fund is authorized to provide any offering literature or advertising of Social Investment Notes except for this circular and its exhibits or to make any representations other than those contained in this circular.

David G. White, President. Mr White is the principle of David G. White & Associates, a Burlington-based real estate consulting firm specializing in commercial properties and assisting banks with workouts and foreclosed properties. Certified by the National Development Council as an Economic Development Finance Professional, Mr White was formerly the Director of the Montpelier Community Development Agency.

Jean Short Aldrich, Vice President. Ms. Aldrich is President of the Regional Affordable Housing Corporation and Vice Chair of the Bennington Housing Authority. Formerly Director of Admissions at Bennington College, she is also Vice President of the League of Women Voters and a resident of North Bennington.

Susan E. O'Rourke, Treasurer. Chair, Loan Review Committee. Ms. O'Rourke is an Assistant Vice President of the Vermont Mortgage Group where she is responsible for loan reviews, primarily of home mortgages. A native of Rutland, she has served on the Board of the Rutland County Community Land Trust.

Glen Goodall, Secretary. Mr Goodall is a semi-retired paper salesman and lifelong Vermonter. A member of Christ Church in Montpelier, he has been a key participant with the Catalyst for Community Housing and a number of other housing activities.

Joyce Barrett, RSM is Director of Health Care for the Vermont Sisters of Mercy. A Burlington native, Sister Barrett has extensive experience as an educator in both parochial and public school systems and a longtime involvement in social justice activities.

David Budball is a poet and a playwright from Wolcott. He is the author of *Judevine: The Complete Poems* and *Judevine The Play in Two Acts*. He also writes young adult fiction.

Mary Ann Carlson is a State Senator from Bennington County. Along with her husband, she is owner and operator of West Mountain Inn in Arlington. She serves as a commissioner on the Governor's Commission on Women, and is a board member of Arlington Area Childcare.

Elizabeth Glenshaw is an Associate Trustee at the firm of Loring, Wolcott & Coolidge, a Boston-based fiduciary service. A member of the Co-op America Board of Directors, she is an Executive Officer of the Social Investment Forum, and was formerly Coordinator of the Socially Responsible Banking Fund at Vermont National Bank in Brattleboro.

Rick Hausman is Research and Marketing Manager at The Clean Yield Group, publishers of a socially responsible investment newsletter and portfolio managers. A State Representative for six years, he was formerly Chief Financial Officer for area community mental health and community action agencies. He is also a Director of Oxbow Senior Independence Program.

Ann Holmblad is Community Recreation Project Coordinator for United Cerebral Palsy of Vermont. She has previously developed and implemented a variety of programs to enable people with disabilities to live more independently. A resident of Montpelier, she is an Alternate Member of the Architectural Barriers and Compliance Board.

Lucinda Jones is Executive Director of the Barre Housing Authority. She has worked in the housing field for many years including serving as Executive Director of Barre Neighborhood Housing Services, and a variety of positions in state government.

Lawrence Mires, Chair, Long-Range Planning Committee. Mr. Mires is the Administrative Officer of the Vermont Housing and Conservation Board. He has previously been a consultant and Community Development Director at Central Vermont Community Action Council in Barre and Financial Manager at the Hunger Mountain Cooperative in Montpelier.

Christine Owre is President of Northern Community Housing Corporation (NCHC) the non-profit housing development affiliate of Northern Community Investment Corporation in St. Johnsbury. She is responsible for all facets of the corporation's real estate projects.

Frances Rathke is Chief Financial Officer and Chief Accounting Officer at Ben & Jerry's Homemade Inc in Waterbury. A certified public accountant, Ms Rathke was previously employed as a Manager in the Boston office of the accounting firm, Coopers & Lybrand.

Michael Richardson is President of Housing Vermont, a nonprofit development corporation creating affordable housing through partnerships with communities and the private sector. Previously Multi-Family Loan Officer at Vermont Housing Finance Agency, Mr Richardson was responsible for analyzing the credit worthiness of multi-family development loan applicants.

Robert Soucy is Executive Vice President of the Consumer Banking Group at Vermont National Bank. A resident of Marlboro, he is responsible for the bank's thirty-one branch offices, consumer loans and marketing.

Jeffrey Staudinger, Chair, Capitalization Committee. Mr. Staudinger is owner of Bootstrap Consulting Services, specializing in the areas of planning and resource development for municipalities and businesses. A resident of Royalton, he was formerly Executive Director of Green Mountain Economic Development Corporation, and Randolph Neighborhood Housing Services.

* * * * *

Members of the Loan Review Committee include Susan O'Rourke, Lucinda Jones, Christine Owre, Michael Richardson, John Colborn, Executive Director of the Champlain Valley Mutual Housing Federation and Stephen Reid, Senior Consultant with David G White & Associates.

Members of the Loan Monitoring Committee include Frances Rathke, David White, Heidi Bement, a Vice President at Ledyard Bank in Hanover, New Hampshire, Ann Louise Hogan, a Vice President at Chittenden Bank and Thomas Mellon, Esq., a partner at Burak and Anderson.

Members of the Personnel Committee include Elizabeth Glenshaw, Peter Konkle, Coordinator of the Labor Management Program for the City of Burlington and Elizabeth Lonergan, Manager of Human Resources at Ben & Jerry's Homemade, Inc.

* * * * *

Nancy Wasserman has been Fund Manager of the Loan Fund since it began operations in March of 1988. She serves on the Socially Responsible Banking Advisory Board of Vermont National Bank and is a Director of Housing Vermont and the Vermont Community Reinvestment Association. Her previous experience includes operating a freelance photography business, serving as Coordinator of The Family Place, a parent/child center in White River Junction and chairing the Hartford (VT) Planning Commission. A graduate of Dartmouth College, she holds a Masters degree in Community Economic Development from New Hampshire College.

Brian Pine, Project Coordinator, has been with the Loan Fund since October of 1989. He serves on the Burlington City Council representing the Old North End, and as the Council's representative to the Burlington Community Banking Council. He has also served as Vice President of the Burlington Community Land Trust and as a Commissioner on the Burlington Housing Board of Review. His previous experience included working as a job trainer with Burlington's ONTOP and Youth Employment Programs. He is a graduate of the University of Vermont.

Paula Smyrski, Business Manager, joined the Loan Fund in January of 1992. She has over ten years experience in Vermont State government, including serving as a Budget and Management Analyst for the Department of Finance and Management and a variety of accounting positions at the Agency of Human Services. A lifelong resident of Montpelier, she is a graduate of Rutgers College.

Financial Statements

- 1 Independent Auditor's Report
2. Combined Balance Sheet - All Fund Types
3. Combined Statement of Support, Revenue, Expenses and Changes in Fund Balance - All Fund Types
- 4 Statement of Support, Revenue, Expenses and Changes in Fund Balance - Budget and Actual - General Fund
- 5 Notes to Financial Statement

1. INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vermont Community Loan Fund
Montpelier, Vermont

I have audited the financial statements of the Vermont Community Loan Fund (a non-profit organization) as of and for the year ended December 31, 1991, listed in the foregoing table of contents. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vermont Community Loan Fund as of December 31, 1991, and the results of its operations and changes in fund balances for the year ended in conformity with generally accepted accounting principles.

s/ Wilham F Hall
Certified Public Accountant
Vermont License # 0000213
Box 235
Woodstock, VT 05091

January 28, 1992

VERMONT COMMUNITY LOAN FUND
2. COMBINED BALANCE SHEET
AS OF DECEMBER 31, 1991

	GENERAL FUND	PLANT FUND	LOAN FUND	TOTALS (MEMORANDUM ONLY) 1991	TOTALS (MEMORANDUM ONLY) 1990
ASSETS					
Cash and equivalents	\$ 41,239	\$ -	\$520,595	\$ 561,834	\$ 410,076
Grants receivable	-	-	-	-	15,000
Other accounts receivable	198	-	-	198	-
Accrued interest receivable	-	-	2,336	2,336	2,157
Due from loan fund	8,821	-	-	8,821	7,897
Prepaid expenses	812	-	-	812	464
Deposits	575	-	-	575	575
Loans receivable	-	-	852,598	852,598	691,148
Fixed Assets, at cost, net of accumulated depreciation of \$4,310	-	<u>12,532</u>	-	<u>12,532</u>	<u>12,111</u>
TOTAL ASSETS	<u>\$ 51,645</u>	<u>\$ 12,532</u>	<u>\$ 1,375,529</u>	<u>\$ 1,439,706</u>	<u>\$ 1,139,428</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 402	\$ -	\$ -	\$ 402	\$ 685
Accrued & withheld payroll taxes	1,712	-	-	1,712	1,459
Accrued interest payable	-	-	16,013	16,013	10,662
Due to general fund	-	-	8,821	8,821	7,897
Loans payable	-	-	<u>1,239,472</u>	<u>1,239,472</u>	<u>942,697</u>
Total Liabilities	<u>2,114</u>	<u>-</u>	<u>1,264,306</u>	<u>1,266,420</u>	<u>963,400</u>
Fund Balances					
Investment in fixed assets	-	12,532	-	12,532	12,111
Reserved	-	-	50,000	50,000	50,000
Unreserved	49,531	-	61,223	110,754	113,917
Total Fund Balances	<u>49,531</u>	<u>12,532</u>	<u>111,223</u>	<u>173,286</u>	<u>176,028</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 51,645</u>	<u>\$ 12,532</u>	<u>\$ 1,375,529</u>	<u>\$ 1,439,706</u>	<u>\$ 1,139,428</u>

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

VERMONT COMMUNITY LOAN FUND
3. COMBINED STATEMENT OF SUPPORT, REVENUE, EXPENSES
AND CHANGES IN FUND BALANCE - ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1991

page 1 of 2

	GENERAL FUND	PLANT FUND	LOAN FUND	(MEMORANDUM ONLY) 1991	TOTALS 1990
PUBLIC SUPPORT					
Grants and Contributions	\$ 49,527	\$ -	\$ 10,551	\$ 60,078	\$ 108,463
In-kind contributions	<u>3,557</u>	<u>-</u>	<u>-</u>	<u>3,557</u>	<u>3,400</u>
Total Public Support	<u>53,084</u>	<u>-</u>	<u>10,551</u>	<u>63,635</u>	<u>111,863</u>
REVENUE					
Interest Income - banks	2,511	-	28,241	30,752	22,125
Interest Income - loans	-	-	40,095	40,095	29,027
Finance charges - loans	3,351	-	-	3,351	6,233
Fees & Reimbursements	<u>7,735</u>	<u>-</u>	<u>-</u>	<u>7,735</u>	<u>1,610</u>
Total Revenue	<u>13,597</u>	<u>-</u>	<u>68,336</u>	<u>81,933</u>	<u>58,995</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>66,681</u>	<u>-</u>	<u>78,887</u>	<u>145,568</u>	<u>170,858</u>
EXPENSES					
Salaries and wages	59,320	-	-	59,320	43,406
Payroll taxes and benefits	11,569	-	-	11,569	8,558
Consultants & professional fees	10,946	-	-	10,946	6,910
Telephone	4,334	-	-	4,334	4,462
Advertising	549	-	-	549	42
Printing and copying	4,510	-	-	4,510	3,405
Fundraising Expenses	548	-	-	548	2,255
Office expenses & supplies	4,626	-	-	4,626	3,630
Library and subscriptions	1,302	-	-	1,302	1,364
Education and training	1,981	-	-	1,981	1,757
Travel and transportation	5,664	-	-	5,664	3,504
Rent and utilities	4,911	-	-	4,911	2,262
Insurance	1,274	-	-	1,274	1,097
Miscellaneous	285	-	-	285	241
Interest expense	-	-	34,111	34,111	20,694
Depreciation	<u>-</u>	<u>2,380</u>	<u>-</u>	<u>2,380</u>	<u>1,171</u>
TOTAL EXPENSES	<u>111,819</u>	<u>2,380</u>	<u>34,111</u>	<u>148,310</u>	<u>104,758</u>
EXCESS OF PUBLIC SUPPORT & REVENUE OVER EXPENSES	<u>(45,138)</u>	<u>(2,380)</u>	<u>44,776</u>	<u>(2,742)</u>	<u>66,100</u>

VERMONT COMMUNITY LOAN FUND
3. COMBINED STATEMENT OF SUPPORT, REVENUE, EXPENSES
AND CHANGES IN FUND BALANCE - ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1991

page 2 of 2

	GENERAL FUND	PLANT FUND	LOAN FUND	TOTALS (MEMORANDUM ONLY) 1991	TOTALS (MEMORANDUM ONLY) 1990
OPERATING TRANSFERS					
Operating transfers in	34,225	2,801	-	37,026	35,172
Operating transfers out	<u>(2,801)</u>	<u>-</u>	<u>(34,225)</u>	<u>(37,026)</u>	<u>(35,172)</u>
TOTAL OPERATING TRANSFERS	<u>31,424</u>	<u>2,801</u>	<u>(34,225)</u>	<u>-</u>	<u>-</u>
EXCESS OF PUBLIC SUPPORT, REVENUE, & TRANSFERS OVER EXPENSES	<u>\$ (13,714)</u>	<u>\$ 421</u>	<u>\$ 10,551</u>	<u>\$ (2,742)</u>	<u>\$ 66,100</u>
FUND BALANCE, January 1	\$ 63,245	\$ 12,111	\$ 100,672	\$ 176,028	\$ 109,928
Excess of Public Support, Revenue & Transfers over Expenses	<u>(13,714)</u>	<u>421</u>	<u>10,551</u>	<u>\$ (2,742)</u>	<u>\$ 66,100</u>
FUND BALANCE, December 31	<u>\$ 49,531</u>	<u>\$ 12,532</u>	<u>\$ 111,223</u>	<u>\$ 173,286</u>	<u>\$ 176,028</u>

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

VERMONT COMMUNITY LOAN FUND
4. STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1991

	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
PUBLIC SUPPORT			
Grants and contributions	\$ 64,000	\$ 49,527	\$ (14,473)
In-kind contributions	-	3,557	3,557
Total Public Support	<u>64,000</u>	<u>53,084</u>	<u>(10,916)</u>
REVENUE			
Interest Income - banks	2,000	2,511	511
Finance charges - loans	6,000	3,351	(2,649)
Fees and reimbursements	<u>12,500</u>	<u>7,735</u>	<u>(4,765)</u>
Total Revenues	<u>20,500</u>	<u>13,597</u>	<u>(6,903)</u>
TOTAL SUPPORT & REVENUE	<u>84,500</u>	<u>66,681</u>	<u>(17,819)</u>
EXPENSES			
Salaries and wages	61,120	59,320	1,800
Payroll taxes and benefits	15,111	11,569	3,542
Consultants and professional fees	8,750	10,946	(2,196)
Telephone	5,000	4,334	666
Advertising	-	549	(549)
Printing and copying	4,500	4,510	(10)
Fundraising expenses	750	548	202
Office expenses and supplies	4,000	4,626	(626)
Library and subscriptions	1,400	1,302	98
Education and training	2,250	1,981	269
Travel and Transportation	5,500	5,664	164
Rent and utilities	4,800	4,911	(111)
Insurance	700	1,274	(574)
Miscellaneous	<u>500</u>	<u>285</u>	<u>215</u>
TOTAL EXPENSES	<u>114,381</u>	<u>111,819</u>	<u>2,562</u>
EXCESS OF PUBLIC SUPPORT & REVENUE OVER EXPENSES	<u>\$ (29,881)</u>	<u>\$ (45,138)</u>	<u>\$ (15,257)</u>
OPERATING TRANSFERS			
Operating transfers in	32,000	34,225	2,225
Operating transfers out	<u>(2,000)</u>	<u>(2,801)</u>	<u>(801)</u>
TOTAL TRANSFERS	<u>30,000</u>	<u>31,424</u>	<u>1,424</u>
EXCESS OF SUPPORT, REVENUE, & TRANSFERS OVER EXPENSES	<u>\$ 119</u>	<u>\$ (13,714)</u>	<u>\$ (13,833)</u>
FUND BALANCE, January 1	\$ 63,245	\$ 63,245	-
Excess of Support, Revenue & Transfers over Expenses	<u>119</u>	<u>(13,714)</u>	<u>\$ (13,833)</u>
FUND BALANCE, December 31	<u>\$ 63,364</u>	<u>\$ 49,531</u>	<u>\$ (13,833)</u>

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

VERMONT COMMUNITY LOAN FUND
5. NOTES TO FINANCIAL STATEMENTS
December 31, 1991

1. Summary of significant accounting policies

The accounting policies of the Vermont Community Loan Fund (VCLF) conform to generally accepted accounting principles as applicable to not-for-profit organizations. The following is a summary of significant accounting policies employed in the preparation of these financial statements.

A. The Reporting Entity

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

The Vermont Community Loan Fund was organized to make loans to projects that provide long-term access to and control over housing, land and capital for low-income and other disadvantaged groups who are denied such access through conventional channels; to encourage the elimination of discrimination in access to housing, credit and economic opportunities; to promote models of ownership or tenant control which prevent speculation and insure long-term affordability; to stimulate and encourage, where possible, the revitalization of neighborhoods and communities; and to educate the public about housing and economic needs of low-income and other disadvantaged groups.

B. Fund Accounting

The accounts of the Vermont Community Loan Fund are organized on the basis of fund types, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenses. Resources of the organization are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various fund types are as follows:

- General Fund. The General Fund is the general operating fund of the organization, and is used to account for all financial resources except for those required to be accounted for in another fund.
- Plant Fund. The Plant Fund is used to account for equipment owned by the VCLF, and its related depreciation.
- Loan Fund. The Loan Fund is used to account for resources that are available to be used for loans to qualified borrowers, under the terms and conditions established by the VCLF.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the

financial statements Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The various funds of the Vermont Community Loan Fund are accounted for using the accrual basis of accounting Under this method, revenues are recognized when they are earned, and expenses are recognized when the liability is incurred.

D. Budgetary Accounting

The Vermont Community Loan Fund employs a formal budgetary process as a management control device during the year for the General Fund. The Statement of Support, Revenue, Expenses and Changes in Fund Balance - Budget and Actual - General Fund, present comparisons of the legally adopted budgets with actual data.

The budgets for the Plant Fund and the Loan Fund are prepared on a length-of-project basis, not on an annual basis. Therefore, no comparison of budgets with actual data is presented.

E. Cash and Investments

At year end, the carrying amount of the VCLF's deposits was \$561,834 and the bank balance was \$565,618 Of the bank balance \$465,000 was covered by federal depository insurance and \$100,618 was uninsured. The VCLF is authorized to invest excess funds in savings accounts or certificates of deposits. These financial statements report investments in savings accounts or certificates of deposits under the caption of cash or equivalents.

F. Grants Receivable

Grants receivable in the General Fund (1990 totals) represents the balance of a \$30,000 grant from the Vermont Housing and Conservation Board, to provide a contribution towards the VCLF operating expenses and to provide technical assistance to loan applicants.

G. Fixed Assets

Fixed assets of the organization are carried at cost. The organization follows the policy of charging to expenses annual amounts of depreciation which allocate the cost of fixed assets over their estimated useful lives The organization employs the straight-line method to determine the amount of the charge, using an estimated useful life of seven years

Fixed assets and depreciation as of December 31, 1991, are as follows

Equipment	\$ 16,842
Less accumulated depreciation	<u>(4,310)</u>
Total fixed assets	\$ 12,532

H. In-kind Contributions

The policy of the VCLF is to recognize non-monetary contributions (rent, utilities, and professional services) as income and expenses based on the fair market value of the contribution During 1991, in-kind contributions consisted of \$3,557 in legal services and expenses.

I. Accumulated Compensated Absences

The policy of the Vermont Community Loan Fund is that vacation and sick time may be accumulated within certain limits. Unused vacation time may be accumulated up to twenty days, but is not payable to the employee on termination of employment. Sick time may be accumulated up to thirty days, but may only be used in the event of personal illness or illness of family members, and is not payable to the employee on termination of employment. The VCLF is contingently liable for \$6,394 in accumulated vacation and sick time at December 31, 1991

J. Total Columns and Comparative Data

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of the changes in the VCLF's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

K. Reserves of Fund Equity

The VCLF records reserves to indicate that a portion of the fund equity is segregated for a specific purpose. In 1990, the VCLF established a loan loss reserve to protect against any future loan delinquencies. The amount of the reserve was established at the greater of \$50,000, or 5% of outstanding loans receivable at the end of each calendar quarter.

2. Loans receivable

At December 31, 1991, there were twenty-seven loans receivable. These loans vary in amount from \$4,577 to \$79,911, with maturity dates from February 15, 1992, to December 19, 1996, and in interest from 4% to 6.5%. No allowance for uncollectable loans is deemed necessary.

Repayments of principal and interest are due as follows:

Period ending December 31,	Amount
1992	206,967
1993	387,553
1994	155,602
1995	194,606
1996	<u>2,935</u>
	947,663
less amounts representing interest	<u>(95,065)</u>
Principal balance due	\$ 852,598

3. Loans payable

At December 31, 1991, there were one hundred twenty-four loans payable. These loans vary in amount from \$1,000 to \$70,000, with maturity dates from January 12, 1992, to February 15, 2001, and in interest from 0% to 6%.

Repayments of principal and interest are as follows:

Period ending December 31,	Amount
1992	\$ 406,499
1993	264,604
1994	330,644
1995	176,087
1996	143,504
1997 and thereafter	<u>39,751</u>
	1,361,089
less amounts representing interest	<u>(121,617)</u>
Principal balance due	\$ 1,239,472

4. Commitments and contingencies

As of December 31, 1991, the VCLF had issued letters of loan commitment to three organizations, for loans totalling \$125,375. Closing on the loans were anticipated by March 31, 1992.