
VSBFA

**Virginia Small Business
Financing Authority**

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

(A Component Unit of the Commonwealth of Virginia)

Management's Discussion and Analysis and
Basic Unaudited Financial Statements and Supplementary Information
for the Fiscal Years ending June 30, 2017 and 2018

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

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VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

Management's Preparation and Presentation of Basic Financial Statements

For the Fiscal Years ending June 30, 2017 and 2018

Management's Responsibility for the Financial Statements

The financial statements, management discussion and notes which follow herein have not been prepared or audited by a certified public accountant. The management of the Virginia Small Business Financing Authority (the "VSBFA" or the "Authority") is responsible for the preparation and presentation of these financial statements, management discussion and notes which follow and for the implementation and maintenance of internal controls relating to the preparation and fair presentation of financial statements which are free from material misstatement, whether due to fraud or error.

In management's opinion, the financial statements, management discussion and notes presented herein present fairly, in all material respects, the financial position of the Virginia Small Business Financing Authority as of June 30, 2018 and June 30, 2017, and the changes in net position from the 2017 fiscal year-end to the 2018 fiscal year-end.

Non-GASB Compliant Financial Statements

While these statements have been prepared with generally accepted accounting principles in mind, these statements do not meet all U.S. Governmental Accounting Standards Board (GASB) requirements and therefore cannot be considered to be fully compliant with GASB.

GASB 70 and Prior Changes in Reporting Methodology

During fiscal years 2015 and 2016, the Authority made significant changes in reporting methodology relating to funds utilized in its *SSBCI Cash Collateral Program* (offered initially in 2013) and the *State Cash Collateral Program* (collectively referred to here as "CCP.")

- The Authority's CCP programs utilize reserve accounts owned by the Authority and established at participating banks. These reserve accounts are funded with CCP deposits which VSBFA commits for the support of a specific loan for a specified period of time and up to a specified maximum amount. In the event of a loss on a defaulted CCP enrolled loan, the participating bank may – after liquidation of its primary collateral and completion of its collection efforts - file a claim with the Authority to request that the related CCP deposit be utilized to offset the bank's deficiency loss (or a portion thereof.)
- In the 2013 and 2014 Fiscal Year financial statements, CCP reserve funds owned by the Authority and held in CCP Reserve Accounts at participating banks were reported as *Cash Not Held with Treasurer*. This reporting methodology implied these CCP reserve funds were liquid and available immediately for future use when in fact these funds had been committed by VSBFA for the participating bank's potential use, in the event that bank should incur a future loss on an enrolled CCP loan.
- In order to more accurately reflect the Authority's liquidity position and provide a more accurate representation of VSBFA's obligations under the *Cash Collateral Program*, VSBFA made a change in reporting methodology during Fiscal 2015: funds held in CCP Reserve Accounts were reclassified as Restricted Assets and an equivalent, offsetting Restricted Liability was also recorded to reflect the Authority's obligation of these CCP reserve account. During 2015, the Authority also classified *Cash Collateral Program* distributions made to participating banks as an expense and recorded a prior period adjustment to reflect the net

adjustments to the Authority's Fiscal 2015 beginning net position had this reporting methodology been utilized in Fiscal 2013 and Fiscal 2014.

- During Fiscal 2016, the Virginia Department of Accounts subsequently determined that the *CCP* reserves provided under the *Cash Collateral Program* constituted a non-exchange financial guarantee under the Governmental Accounting Standards Board (GASB) Statement No. 70. The Virginia Auditor of Public Accounts provided similar guidance in early Fiscal 2017. As defined by GASB 70, a non-exchange financial guaranty is typically provided by a government for the obligations of a private entity, not-for-profit organization or an individual, and the government providing the guarantee or support has not directly received equal or approximately equal value in exchange for that guarantee or support. Except for a nominal application fee, the *CCP* support provided by the Authority to participating banks under the *Cash Collateral Program* was extended without financial remuneration from the inception of the program until late in Fiscal 2017 when VSBFA began charging a nominal one-time fee for *CCP* support in excess of \$150,000. Consequently, transactions between the Authority and participating *CCP* banks clearly meet the criteria for GASB 70 given that the Authority's fees are not equivalent in value to the amount of *CCP* support being provided.
- Consistent with GASB 70, the funds held in *CCP* Reserve Accounts are now recognized as Restricted Assets. Also consistent with GASB 70, the Authority will not record a liability and related expense against these *CCP* Reserve Accounts (Restricted Assets) unless there is a greater than 50% chance that the Authority will be required to make a future payment related to support provided under the *Cash Collateral Program*. In accordance with GASB 70, the Authority's Fiscal 2017 and Fiscal 2018 financial statements do not reflect an offsetting liability against the funds held in the *CCP* Reserve Accounts as of June 30, 2017 and as of June 30, 2018 given that as of those dates there were no *Cash Collateral Program* support obligations where the Authority had concluded that there was more than a 50% chance of a future claim payment would be necessary.

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

Management's Discussion and Analysis For the Fiscal Years ending June 30, 2018 and 2017

This section of the Virginia Small Business Financing Authority's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years that ended June 30, 2017 and June 30, 2018. Please read the information below in conjunction with the Authority's financial statements, which follow this section. The annual financial report consists of three parts, management's discussion and analysis, the basic financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

The following information represents a comparative analysis of key financial aspects of the Authority's operations between the fiscal years ended June 30, 2018 and June 30, 2017.

- After steady growth in program usage during Fiscal 2014, 2015 and 2016, new distributions of support under the Authority's *SSBCI Cash Collateral Program* fell for the second consecutive year during Fiscal 2018. *SSBCI Cash Collateral Program* support distributions of \$679,747 in Fiscal 2018 were 82% less than distributions of \$3,900,249 during Fiscal 2017.
- Usage of the *SSBCI Cash Collateral Program* during Fiscal 2018 was impacted by a continuing vacancy in one of the Authority's three lending positions and, to a lesser extent, may have also been impacted by *CCP* support fees which were implemented during the latter part of Fiscal 2017 for approved transactions where the Authority's *CCP* support exceeds \$150,000. Until the 2017 implementation of these *CCP* support fees, the Authority had offered the *SSBCI Cash Collateral Program* without fees except for a small application fee.
- Although the decline in new *SSBCI CCP* support distributions from Fiscal 2017 to Fiscal 2018 was significant, the net decrease in the Authority's *SSBCI Cash Collateral Program* Reserve accounts was much less dramatic: *SSBCI CCP* Reserve Accounts aggregated \$11,623,830 as of June 30, 2018, representing a decrease of 15% from the total *SSBCI CCP* Reserves of \$13,677,364 as of June 30, 2017.
- As of June 30, 2018, there were 29 banks enrolled to participate in the *Cash Collateral Program*, compared with 32 banks as of the 2017 fiscal year-end. In both Fiscal 2017 and Fiscal 2018, the number of participating *CCP* banks was affected by mergers of the banks participating in the program.
- At the 2018 fiscal year-end, State *CCP* Reserve Account funds totaled \$969,900, representing a 41% reduction from \$1,645,137 as of June 30, 2017. At the present time, the Authority is not actively pursuing future enrollments under the State *Cash Collateral Program*. Consequently, it is anticipated that the remaining State *CCP* Reserve balances will continue to steadily decline as the Authority "claws back" these state funds in concurrent with the reduction in principal balances of the remaining State *CCP* enrolled loans.
- Total *Cash Collateral Program* Reserve Accounts - both federal *SSBCI* and State *CCP* funds - declined 18% from \$15,322,501 as of June 30, 2017 to \$12,593,730 as of June 30, 2018.
- Reserve Accounts for the *SSBCI Cash Collateral Program*, *State Cash Collateral Program*, *SSBCI Capital Access Program*, *Virginia Capital Access Program* and *Tobacco Capital Access Program* are classified as Restricted Assets on the Authority's balance sheet. Total Restricted Assets as of June 30, 2018 were \$13,588,530 compared with \$16,484,281 as of June 30, 2017.
- The Authority's activity in its direct loan programs was also impacted by a continuing vacancy in one of the Authority's three lending positions. Net direct loans for the Authority fell from \$9,009,570 as of June 30, 2017 to \$7,576,223 as of June 30, 2018, a decrease of 16%.
- Total operating revenues for the Authority declined by 7% from \$1,395,110 in Fiscal 2017 to \$1,291,838 in Fiscal 2018. Total operating expenses increased by approximately 15% from \$1,039,107 in Fiscal 2017 to \$1,197,773 in Fiscal 2018. Although the Authority was without a full-time Executive Director for the majority

of Fiscal 2018, the Authority did not accrue savings related to that salary given that the Executive Director is paid by the Authority's host agency, the Virginia Department of Small Business and Supplier Diversity. The Authority did accrue savings related to the vacant lender position; however, these savings were fully offset by costs related to temporary staff hired to assist with the Authority's implementation of QuickBooks and to provide staffing support during the Fiscal 2018 APA Single Program Audit of the Authority's federally funded *Economic Development Loan Fund Program* and during the Fiscal 2018 audit by the Joint Legislative Audit and Review Commission (JLARC). Operating and non-operating expenses during Fiscal 2018 were also higher than in Fiscal 2017 because of charge-offs in the *SWaM Microloan Program* (\$44,404), the charge-off of the only direct loan made to date with SSBCI funds (\$109,788), interest earned on sequestered EDA cash and paid to EDA (\$78,418), and bond fees shared under the Authority's Memorandum of Understanding, described immediately below (\$75,822.) Included in the Authority's Fiscal 2018 operating expenses was rent of \$27,788 paid to the Virginia Department of Small Business and Supplier Diversity ("SBSD.") Rent paid to SBSB is based upon the number of Authority employees in the Richmond office. The Authority does not, at this time have a written agreement governing the annual payment of rent with SBSB. Operating income of \$94,105 for Fiscal 2018 was 74% less than operating income of \$356,003 in Fiscal 2017.

- Fees generated from the Authority's financing programs – specifically application and program fees - and fees from the Authority's bond issuances were \$981,490 in Fiscal 2018, compared with \$985,519 in Fiscal 2017. The majority of the Authority's overall fee revenue is derived from bond issuances and consequently, the Authority's bond fee income generally fluctuates from year-to-year concurrent with overall activity in the Authority's bond programs. Volume in the Authority's various bond programs is driven by demand and by other externally-driven factors, including the U.S. Internal Revenue Service (IRS) regulations governing the use of tax-exempt bonds and by conditions within the U.S. capital markets. The Authority's bond fee revenue is also impacted by the Memorandum of Understanding which the Authority voluntarily entered into in March 2012. Under this Memorandum of Understanding, the Authority shares 40% of its bond fee revenue from non-profit bond issuances with those localities where the non-profit bond project is located.
- The impact of changes in federal regulations on the Authority's bond issuances was evidenced in December 2017 with the enactment of the 2017 Tax Cuts and Jobs Act. Although this federal legislation did preserve tax-exempt treatment for private activity bonds issued after December 2017, it eliminated tax-exemptions for advance refunding bonds and also repealed federal legislation governing the issuance of qualified energy conservation bonds ("QECB" bonds.) As a result, the Authority's ability to issue tax-exempt QECB bonds through the previously successful VA Saves program was eliminated effective December 31, 2017.
- During Fiscal 2015 and 2016, the Authority experienced significant loan repayments - both anticipated and unanticipated - within its *Economic Development Loan Fund Program* ("EDLF.") As a result, liquidity in the EDLF program exceeded limits previously stipulated in the Authority's agreement with the federal Economic Development Administration ("EDA") and the Authority was required to sequester excess federal cash beginning in February 2016. As a condition of the sequestration, the Authority was required to remit to EDA all interest earned on sequestered EDA cash. Of the \$170,404 in total interest earned on EDA cash during Fiscal 2018, \$78,418 of interest earned on sequestered EDA cash was remitted to EDA in accordance with the Authority's EDA agreement.
- As of June 30, 2018, the Authority had approximately \$7.5 million in sequestered EDA funds, and this amount was unchanged from the prior fiscal year-end. As of June 30, 2018, the Authority had outstanding *EDLF* loan commitments of \$6.3 million, which favorably compared with \$3.7 million in outstanding *EDLF* loan commitments as of the Fiscal 2017 year-end. As of August 2018, EDA eliminated its previously mandated sequestration requirements for the Authority (as well as for other similar development finance agencies nationwide) and as a result, the Authority regained access to the approximately \$7.5 million of previously sequestered EDA cash.
- The Authority first offered the *Virginia Capital Access Program* to banks statewide in 1998. Originally funded with state monies, federal SSBCI funds became the Authority's sole source of CAP funding in 2013 and the program was subsequently renamed the *SSBCI Capital Access Program* ("SSBCI CAP.") Although bank participation in the program was historically robust until the Financial Crisis of 2007-2009, bank usage of the program has steadily declined since that time. During Fiscal 2018, the Authority distributed \$10,514 to participating *SSBCI CAP* banks for the purpose of credit support through the *SSBCI CAP* program. The Fiscal

2018 *SSBCI CAP* distributions were 59% less than the Fiscal 2017 *SSBCI CAP* distributions of \$25,912, and 88% less than the \$89,810 distributed during Fiscal 2016.

- Although the Authority's *Virginia Capital Access Program* ("VCAP") and *Tobacco Capital Access Program* ("TCAP") were discontinued in 2016 and are no longer accepting new loan enrollments, both programs continue to support outstanding loans previously enrolled by participating banks. Based on the existing maturities of loans enrolled under *VCAP* and *TCAP*, the Authority estimates its *VCAP* and *TCAP* Reserve Account obligations may extend for as much as an additional 8 years, unless the existing reserves under these programs are exhausted prior to that time through the payment of claims.
- In September 2017, the Authority's Executive Director left the Authority after a seventeen-year career to join the Virginia Economic Development Partnership. The Authority's Chief Credit Officer served as Interim Executive Director from September 2017 until mid-June 2018 when a full-time Executive Director was named.

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

Management's Discussion and Analysis For the Fiscal Years ending June 30, 2017 and 2016

This section of the Virginia Small Business Financing Authority's (the "Authority") annual financial report compares the Authority's financial performance during the fiscal years that ended June 30, 2017 and June 30, 2016.

FINANCIAL HIGHLIGHTS

The following information represents a comparative analysis of key financial aspects of the Authority's operations between the years ended June 30, 2017 and June 30, 2016.

- The Authority received its fourth and final tranche funding in funding from the U.S. *State Small Business Credit Initiative* ("SSBCI") from the U.S. Treasury Department during Fiscal 2017. This fourth tranche of funding was relatively insignificant (\$81,203) compared with the previous tranches and was not originally anticipated to be distributed by the U.S. Treasury.
- The Authority's *SSBCI Cash Collateral Program* continued to enjoy strong demand statewide throughout Fiscal 2016 and until midway during Fiscal 2017 when demand for the program finally exceeded the *SSBCI Cash Collateral Program's* available cash. At that time, the Authority established a waiting list for approved *SSBCI Cash Collateral Program* commitments and these commitments were subsequently funded as program cash became available.
- As a result of the program's high demand, relatively low turnover and limited SSBCI cash (during Fiscal 2017), *SSBCI Cash Collateral Program* support distributions fell by 24.3% to \$3,900,249 during Fiscal 2017 from \$5,154,542 in Fiscal 2016.
- At the 2017 fiscal year-end, VSBFA had \$13,677,364 in *SSBCI CCP Reserve Accounts* – an increase of 16% when compared with \$11,844,733 in *SSBCI CCP Reserve Account* as of June 30, 2016. Total CCP reserves (*SSBCI* and *State CCP*) were \$15,322,501 as of June 30, 2017, compared with \$13,713,307 as of June 30, 2016. Balances in the CCP reserve accounts are affected by additions of new *Cash Collateral Program* support and by "claw back" withdrawals which are made as *CCP* supported loans repay in part or in full.
- As of June 30, 2017 there were 32 banks participating in the *Cash Collateral Program*. The number of participating *CCP* banks was affected during Fiscal 2017 by mergers of the following banks, each of which previously participated in the *CCP* program: the merger of Access National Bank and Middleburg Bank, the merger of Blue Ridge Bank and River Community Bank and the merger of Xenith Bank and the Bank of Hampton Roads.
- The Authority's net direct loans fell from \$12,030,715 as of June 30, 2016 to \$9,009,570 as of June 30, 2017, a decrease of 25%. A significant majority of the \$4.4 million decline can be attributed to the repayment of two loans in the Authority's *Economic Development Loan Fund Program*.
- Fee income generated from the Authority's financing programs and from fees associated with bond issuances increased slightly from \$946,449 in Fiscal 2016 to \$985,519 in Fiscal 2017.
- Total operating revenues for the Authority declined from \$1,823,065 in Fiscal 2016 to \$1,395,110 in Fiscal 2017, a decline of 23%. Total operating revenues in 2016 were higher than usual as the result of a \$315,845 recovery made during 2016 on an *Economic Development Loan Fund* which had been previously charged off.

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

For the Fiscal Years Ending June 30, 2016 through June 30, 2018

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table summarizes select financial information regarding the Authority's operations as of the dates and for the periods indicated:

	6/30/2018	6/30/2017	6/30/2016	% change 2018 vs 2017	% change 2017 vs 2016
Cash (Restricted and Unrestricted)	\$21,098,809	\$16,844,944	\$14,999,792	25%	11%
Investments (Restricted and Unrestricted)	\$13,477,729	\$12,249,937	\$12,221,382	10%	(.2%)
Loans receivable (net)	\$7,576,223	\$9,009,570	\$12,030,715	(16%)	(25%)
Restricted Assets (SSCBI and State CCP Reserve Accts, SSBCI CAP, VCAP and TCAP Reserve accounts)	\$13,588,530	\$16,484,281	\$14,879,825	(18%)	11%
Other assets	\$19,028	\$17,278	\$18,290	10%	(6%)
Total assets	\$55,760,319	\$54,606,010	\$54,150,004	2%	1%
Obligations under Securities Lending Program	\$1,045,769	0	\$63,294	10,457%	(100%)
Restricted Liabilities (Support Obligations under CAP, & Other programs *)	\$994,800	\$1,161,780	\$1,166,846	(14%)	(.4%)
Other Liabilities	\$103,636	\$105,041	\$72,731	(1%)	44%
Total liabilities	\$2,144,205	\$1,266,821	\$1,302,871	69%	(3%)
Net Assets	\$53,616,114	\$53,339,189	\$52,847,133	.5%	1%

* Restated as appropriate to comply with guidance from Virginia Department of Accounts

Net Assets	2018	2017	% Change from 2017 to 2018
Restricted	\$45,138,013	\$45,933,899	(1.7%)
Unrestricted	<u>\$8,478,101</u>	<u>\$7,405,290</u>	<u>14%</u>
Total Net Assets	\$53,616,114	\$53,339,189	.5%

Description of Net Assets - The Authority's Net Assets are reported on the Statement of Net Assets. The Authority has Restricted Assets and Unrestricted Assets as described below:

1. Restricted These net assets represent funds that have been received by the Authority for specific financing programs from various funding sources, including: the federal government, the state government for use in conjunction with certain federal grants, funds which are administered by the Authority on behalf of other state agencies, funds which are restricted by federal grants or by state legislation, and funds that are restricted due to commitments, deficiency guaranties and loan portfolio insurance agreements that represent legal obligations of the Authority to the respective participating banks.

Federally restricted net assets managed by the Authority are the *Child Care Financing Program*, the *State Small Business Credit Initiative* - U.S. Treasury, and the *Federal Economic Development Loan Fund*, U.S.

Economic Development Administration. As of June 30, 2018, the Net Assets under these programs were \$3,753,848, \$14,585,592 and \$19,480,745 respectively, totaling \$37,820,185.

State net assets are “restricted” funds administered by the Authority on behalf of other state agencies, or are state funds restricted as the result of deficiency guaranties, guaranty commitments, loan commitments, outstanding checks issued by the Authority and accrued payroll. State restricted net assets at June 30, 2018 totaled \$7,317,828, which included \$6,354,779 in outstanding *Loan Guaranty Program* guaranties, \$809,563 in pending *Loan Guaranty Program* commitments, \$103,636 in outstanding checks and accrued payroll, and net assets of the *Tobacco Capital Access Program*, with funding provided by the Virginia Tobacco Region Revitalization Commission (\$114,123) and net assets of the *Environmental Compliance Assistance Fund*, with funding provided by the Virginia Department of Environmental Quality (\$39,363),

2. Unrestricted - As of June 30, 2018, unrestricted net assets totaled \$8,478,101, which include VSBFA Operating (\$2,901,966), State *Economic Development Loan Fund* program & State *Cash Collateral Program* (\$3,766,782) and the *SWaM Microloan Program* (\$1,809,353).

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets

For the Fiscal Years Ending June 30, 2018 and June 30, 2017

	2018	2017	% change 2017 to 2018
Operating revenues:			
Interest on loans receivable	\$307,823	\$400,263	(23%)
Charges for sales and service	\$981,490	\$985,519	(.4%)
Other (including recoveries)	\$2,525	\$9,328	(73%)
Total operating revenues	\$1,291,838	\$1,395,110	(7%)
Operating expenses:			
Personal services	\$758,763	\$687,902	3%
Contractual Services, including rent	\$31,240	\$13,833	123%
Supplies	\$283	\$3,887	(93%)
Distributions (<i>Capital Access Program</i> fee matching distributions)	\$10,514	\$25,911	(59%)
Other (including charge-offs and miscellaneous)	\$232,306	\$123,706	88%
Allowance for Doubtful Accounts	<u>\$164,627</u>	<u>\$183,868</u>	(10%)
Total Operating Expenses	\$1,197,733	\$1,039,107	15%
Net Operating Income	\$94,105	\$356,003	(74%)
Non-operating revenues:			
Interest income	\$385,618	\$159,802	141%
Other non-operating expenses	<u>(\$78,418)</u>	<u>(\$1,448)</u>	(%)
Total Non-Operating Income	\$307,456	\$158,354	94%
Net Income before transfers	\$401,561	\$514,357	(22%)
Transfers			
Net Operating transfers (including intrafunds)	(\$73,071)	(\$63,420)	15%
Transfers Out for VA Velocity and to DEQ	<u>(\$189,683)</u>	<u>(\$213,336)</u>	(10%)
Total Net Transfers	(\$262,754)	(\$276,756)	(5%)
Change in net assets	\$138,807	\$237,601	(42%)

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY
Notes to Financial Statements
June 30, 2018 and 2017

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Virginia Small Business Financing Authority was created by the Virginia General Assembly in 1984 as a public body corporate and a political subdivision of the Commonwealth of Virginia. The Authority is governed by an eleven-member board, appointed by the Governor of the Commonwealth of Virginia on rolling terms. The Authority's major activities are to provide financial assistance to businesses in the Commonwealth through bond issuances, direct loans, loan guaranties, portfolio loan loss reserves, and other assistance.

For financial reporting purposes, the Authority is a component unit of the Commonwealth of Virginia. The accounts of the Authority and other Authority-administered state and federal funds, are combined to form the Component Unit - Proprietary Funds of the Commonwealth of Virginia. The financial statements of the Authority include the activities of the *SSBCI Cash Collateral Program*, and the *SSBCI Capital Access Program* are funded through the State Small Business Credit Initiative through the U.S. Treasury, the *Child Care Financing Program* direct loan program, the U.S. Department of Commerce - Economic Development Administration funded *Economic Development Loan Fund* direct loan program, a VSBFA funded *Economic Development Loan Program* direct loan program, a VSBFA funded *Cash Collateral Program*, the *Small Business Environmental Compliance Assistance Fund* direct loan program, the *Small Business Micro Loan Program* direct loan program, the *Small Business Growth Fund* (also known as the *Virginia Capital Access Program*), the *Southside Tobacco Region Capital Access Program*, the *Industrial Development Bond Program*, and the *Loan Guaranty Program*, which are described in more detail in Section (2).

(b) Basis of Accounting

The Authority utilizes the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred. The accounts are organized on the basis of funds, which are set up in accordance with the authorizing act, the various grants, and agreements between the Authority and the other state agencies.

(c) Conduit Debt Obligations

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the Authority, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

(d) Loans Receivable

Loans receivable are stated at their unpaid principal balance, less an allowance for loan losses. The interest method is computed on a loan-by-loan basis, but is typically on the basis of actual days/365.

(e) Allowance for Loan Losses

There will be a discussion of loan losses, if any, under each direct loan program discussion. If actual charges-offs exceed this amount, the Authority will increase the allowance.

For the direct loan programs, receivables are typically charged-off when a 120-day delinquency is reached and when there has been a determination that repayment is deemed highly unlikely. For non-bankruptcy cases, the Authority's collections are sent to the OAG for collection and debts are reported as required under the Debt Set-Off Program.

Based upon the nominal losses incurred from the *Loan Guaranty Program* over the Authority's thirty-two year history, the Authority has determined that a loss reserve of 2% of our notes receivable is appropriate. This is due to the fact that our loan portfolios have continued to perform better than one would expect for a government lending program. In addition, if a loan is deemed at risk under the *Loan Guaranty Program*, the Authority will deduct the full amount of the principal balance from the guaranty capacity calculation in order to account for any potential loss from that specific transaction.

Funds distributed to banks through the Authority's CAP programs (currently the *SSBCI CAP*, and formerly the *VCAP*, and *TCAP* programs) fund loan loss Reserve accounts owned by the Authority at the participating program banks. By virtue of the nature of these programs, the Authority's liability is limited to funds distributed and maintained in these Reserve accounts; consequently, no additional allowance for loan losses is required for these programs.

(f) Compensation

Compensation for all employees of the Authority is based upon the Commonwealth's compensation plan for state employees. The Executive Director is an employee of the Commonwealth and is non-restricted. The remaining staff members are employees of the Authority and are "restricted" in that their employment and compensation are tied to the various funds administered by the Authority. A portion of total compensation expense is charged to the Authority's programs from time to time, to the extent that funding for the program allows for payment of administrative costs.

(g) Retirement Plans

Employees of the Authority participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the Authority, has overall responsibility for contributions to these plans.

(h) Compensated Absences

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at their then current rates of pay. The amount of vacation and sick pay recognized as expense is the amount earned each year.

(2) Description of Account and Fund Groups

(a) Bond Programs

The Authority is a conduit issuer of tax-exempt and taxable Industrial Development Revenue Bonds to provide creditworthy businesses with access to long-term, fixed asset

financing for new and expanding manufacturing facilities and exempt projects, such as solid waste disposal facilities. During fiscal 2003, the Authority was given the legislative authority to issue bonds for qualified 501c3s for projects such as hospital expansions and college and university foundations.

The repayment of the Authority issued bonds is the responsibility of the respective for-profit or 501 (c)(3) not-for-profit entity and the financing of such bonds is provided by the private sector and not provided by the Authority or the Commonwealth. Neither the Authority nor the Commonwealth guarantee payment and, as described in Section 9-221 of the Code of Virginia, no bonds issued by the Authority constitute a debt, liability, or general obligation of the Commonwealth.

The Authority charges an annual administrative fee based upon the outstanding principal amount of the bonds it has issued, payable on each anniversary date of the closing of the bond issue. Such fees may vary upon the amount and type of issuance, but typically the issuance fee for a for-profit entity is one-eighth of one percent annually on the then outstanding principal balance of the loan supporting the bond. For bonds issued on behalf of 501c3 non-profit organizations the annual fee is one-tenth of one percent annually on the then outstanding principal balance of the loan supporting the bond, with a cap of \$250,000.

Per a Memorandum of Understanding with certain localities of the Commonwealth, the Authority shares 40% of its bond fee revenue generated from 501(c)(3)'s with all localities in Virginia. The Authority collects the full amount of the fee due from the 501 (c)(3) and then calculates the appropriate amount due to the localities on a pro-rata basis based on the amount of the issuance per locality. The Authority then pays the amount due to the locality per the agreement. The remaining monies collected are retained in the Authority's operating account and are used to support loan programs for the Authority and administrative costs, including staff salaries.

In 2009 the VSBFA's legislation was amended to expand the definition of "Business Enterprise to include any *entity acquiring, constructing, improving, maintaining, or operating a qualified transportation facility under the Public-Private Transportation Act of 1995 (§ 56-556 et seq).*" In the 2013-2014 budget and again in the 2015-2016 budget there was language that references an agreed upon fee structure for a road project financed by a bond that was approved by the VSBFA this year. It states: *"For the I-95 HOV/HOT Lanes project as evidenced by the Comprehensive Agreement approved pursuant to the Public-Private Transportation Act of 1995, the maximum fee and/or premium charged by the Virginia Small Business Financing Authority pursuant to §§ 2.2-2291 and 2.2-2285, Code of Virginia, for acting as the conduit issuer for any bond financing is not to exceed \$25,000 per annum."* We expect this budget language to continue for future budgets.

See attached Trial Balance Bond Report for a listing of outstanding bonds issued by the Authority.

(b) VSBFA Operating Fund/Loan Guaranty Program/Microloan Program/State EDLF/State Cash Collateral Program

Net Assets totaling \$13,968,292 are divided into four separate loan funds, in addition to the operating funds of the VSBFA.

The **Loan Guaranty Program** provides guaranties up to the lesser of \$750,000 or 75% of lines of credit and term loans. This program was funded by \$900,000 of the initial \$1,000,000 appropriation received by the Authority in 1984. In 2002 and again in 2004, \$500,000 and \$600,000 respectively were transferred from the state Economic Development Loan Fund to provide for continued funding of the program. In Fiscal 2007, Fiscal 2011 and Fiscal 2012 the Virginia General Assembly provided additional funding of \$1,250,000, \$1,000,000 and \$5,000,000 respectively. The Authority had one claim payment

under the program during Fiscal 2017 of \$122,099. There were no claim payments under the *Loan Guaranty Program* during Fiscal 2018.

The Authority charges an upfront guaranty fee of 1.5% of the guaranteed portion of the loan. Program funds for the Authority's *Loan Guaranty Program* are considered part of the Authority's primary Operating Account.

The ***SWaM Microloan Program*** had net outstanding loans of \$951,589 as of June 30, 2018 and no outstanding loan commitments. Allowance for Doubtful Accounts for the *Microloan Program* at the 2018 Fiscal year-end were \$29,431. The program had charge-offs of \$44,404 during the 2018 Fiscal year, bringing the total charge-offs since the program's inception to \$94,598, which is 2.7% of all loans originated under the program.

The ***State Economic Development Fund*** had \$881,863 of net outstanding loans and no outstanding commitments at the 2018 Fiscal year-end. Allowance for Doubtful Accounts for the *State Economic Development Fund* at the 2018 Fiscal year-end was \$17,997. There were no charge-offs in this program during the 2018 Fiscal year.

The ***State Cash Collateral Program (State CCP)*** is a collateral support program, supporting eligible loans at participating banks that have a deficiency in collateral. In the past, CCP transactions that were ineligible for support under the Authority's federal SSBCI CCP, but were deemed worthy of VSBFA support were supported by state funds in this program. At the 2018 Fiscal year-end, the Authority had *State Cash Collateral Program* Reserve account balances of \$969,900. These cash collateral deposits are on deposit at participating lenders in accounts owned by the VSBFA and are considered public funds.

As of June 30, 2018, the Authority's Operating Fund had \$28,675 in outstanding checks and \$74,961 in accrued payroll and benefits.

(c) *State Small Business Credit Initiative*

On August 15, 2011, the Authority entered into an agreement with the U.S. Treasury to accept Virginia's allocation of the money available under the State Small Business Credit Initiative (SSBCI). The Authority received \$18,034,394 in four funding tranches, the last of which was received in December 2016. Under the SSBCI program, the Authority currently offers the *SSBCI Cash Collateral Program* and the *SSBCI Capital Access Program*. *SSBCI CCP* Reserve Accounts aggregated \$11,623,830 as of June 30, 2018 while *SSBCI CAP* Reserve Accounts totaled \$389,841 as of that date. The *SSBCI Capital Access Program* paid three SSBCI CAP claims totaling \$180,630 during Fiscal 2018. Given that the claim payments were made from existing *SSBCI CAP* Reserve Accounts (where the Authority's contributions had previously been expensed) no additional expense for these claims is shown on the 2018 financial statements.

(d) *Child Care Financing Program*

This program is funded by a federal Child Care and Development Block Grant received by the Virginia Department of Social Services ("VDSS"). Under a Memorandum of Agreement with VDSS, the Authority is charged with administering the *Child Care Financing Program*. Administrative duties include development of the program, including the amounts and terms of such loans, processing loan applications, closing and funding of loans, marketing the loan program, billing and collecting of payments and servicing the loan portfolio, including initial collection efforts for delinquent loans. The *Child Care Financing Program* offers regulated childcare providers low-interest installment loans to fund quality enhancement projects or projects to meet or maintain state or local child care requirements, including health, safety and fire codes. A provider must be either a family day provider or operate a child care center. Loan repayments flow back into the fund to be used to fund future loans and the operating expenses to administer the program. As such, the net assets of this fund are Restricted due to the restraints imposed by the federal grant

(GASBS #34) and the MOA mentioned above. At June 30, 2018, net loans receivable totaled \$324,110 and the Authority had \$0 in outstanding loan commitments. Allowance for Doubtful Accounts as of the 2018 Fiscal year-end was \$6,614 and there were no charge-offs during the 2018 Fiscal year.

(e) Federal Economic Development Loan Fund

The Federal *Economic Development Loan Fund* provides direct loans in typical amounts from \$1,000,000 to \$3,000,000 to bridge the gap between private debt financing and private equity for projects that will result in job creation or retention. The Authority considers loan limits at the higher end of that range depending upon the economic development benefits of the project, the strength of the borrower and the distress level of the locality in which the project is located. The *Defense Conversion Revolving Loan Fund* provides loans up to \$1,000,000 to assist defense-dependent companies seeking to expand into commercial markets and diversify their operations.

Loans can be made to Virginia businesses and to economic development authorities. In an effort to assist our distressed communities, the Authority will consider larger loan amounts and longer loan terms for economic development authorities located in highly distressed areas of the Commonwealth.

The EDLF was originally capitalized by three U.S. Economic Development Administration (EDA) grants and the required state matching funds, which are restricted to this fund to be in compliance with the original terms and conditions of the EDA grants. The monies in this program are restricted *non-general funds*.

Net loans receivable totaled \$5,389,102 at June 30, 2018 and there were \$6,300,000 in outstanding loan commitments at that date. Allowance for Doubtful Accounts was \$109,982 at June 30, 2018 and there were no charge-offs during Fiscal 2018. Net assets in this fund are considered Restricted due to the restraints imposed by the federal grant.

(f) Small Business Environmental Compliance Assistance Fund

This program was funded by the Department of Environmental Quality (DEQ). The Authority administers the Fund for DEQ pursuant to a tri-party cooperative agreement which was executed between the Authority; the former Department of Business Assistance, and DEQ. Under this agreement the Authority is charged to administer the Fund, which currently includes billing, and collection of the one remaining loan. As of December 2015, the program has been discontinued and the cash is periodically transferred back to DEQ as funds are collected. The Authority will continue to service two remaining outstanding loans until paid in full. The Authority and DEQ have agreed to transfer collections from the one remaining loan until that loan has been paid in full. Net Loans Receivable as of June 30, 2018 were \$29,559 and there were no outstanding loan commitments. Allowance for Doubtful Accounts was \$603 and there were no charge-offs during Fiscal 2018 in this program.

(g) Small Business Growth Fund aka Virginia Capital Access Program

The Virginia Small Business Growth Fund, also known as the Authority's *Virginia Capital Access Program* (VCAP), provided a form of loan portfolio insurance for participating banks through special loan loss reserve accounts which are funded by loan enrollment premiums paid by the bank/borrower and matched by the Authority from the Fund. The monies in these loan loss reserve accounts are available to cover losses on loans enrolled by the participating bank. The total balance of the VCAP loan loss Reserve accounts at participating banks at Fiscal 2018 year-end was \$184,953. The balances in the reserve accounts are Restricted by the enabling legislation and the terms and conditions of the participating agreements executed by the Authority and the participating banks. New enrollments for this program are no longer being accepted but the reserve account balances continue to support the loans which remain enrolled in the program.

(h) Tobacco Southside Region Capital Access Program

The Tobacco Capital Access Program (TCAP) provides a form of loan portfolio insurance for participating banks through special loan loss reserve accounts, which were funded by loan enrollment premiums paid by the bank/borrower and matched by the Authority from the Fund. The TCAP program was discontinued effective November 16, 2015. At Fiscal 2018 year-end, there was \$420,006 in the TCAP Reserve accounts. The balances in the TCAP Reserve accounts are Restricted by the constraints placed upon the fund by the Tobacco Commission, the terms and conditions outlined in the Tri-party MOA which created the program, and the terms and conditions of the participating agreements executed by the Authority and the participating banks. New enrollments for this program are no longer being accepted but the reserve account balances continue to support the loans which remain enrolled in the program.

(3) Loans Receivable

Substantially all loans receivable are secured by liens on business assets of the borrower or personal assets of the guarantor(s), and by the personal guaranties of all majority business owners. Rates and terms vary depending upon the program and the market rates at the time of loan closing.

(4) Cash and Investments

Cash includes cash on hand and amounts in checking accounts not held by the state Treasurer are insured by the Federal Depository Insurance Corporation or are collateralized under provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 et.seq. of the Code of Virginia (a multiple financial institution collateral pool). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments. Generally, the immediate operating cash in the VSBFA fund (Bond, loan program and LGP) and the *Child Day Care Financing Program* are on deposit at Wells Fargo in an amount sufficient to cover service charges and expected loan disbursements. Funds which are not expected to be needed for operating purposes in the immediate future are held in three separate LGIP accounts. All other funds are invested with the Treasurer of Virginia.

(5) Securities Lending Transactions

As June 30, 2018, the Authority had Cash Equivalents of \$1,045,769 in the Virginia Treasury's securities lending. These Cash Equivalents were offset by a corresponding liability of the same amount on the Authority's Balance Sheet. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

(6) Relationships with the Department of Small Business and Supplier Diversity

The Authority is a division of the Virginia Department of Small Business and Supplier Diversity ("SBSD" and "the agency.") Staff salaries and administrative expenses are paid from the Authority's operating and program funds, and during Fiscal 2018 the Authority paid rent of \$27,788 to SBSB in addition to costs for computer equipment and information technology services.

The Executive Director of the Authority is appointed by the Director of the Department of Small Business and Supplier Diversity in accordance with Section 9-204 of the Code of Virginia. The Director of the Department of Small Business and Supplier Diversity is a voting ex-officio member of the Authority's Board.

(7) Surety Bond

The Executive Director of the Authority is covered by a Faithful Performance Duty Bond administered by the Commonwealth of Virginia's Department of General Services, Division of Risk Management with liability limits of \$500,000 for each occurrence.

Trial Balance Report By GL Code
Virginia Small Business Financing Authority-Bonds
Accumulated Through 6/30/2018

Customer ID Facility ID Loan ID	Officer Branch Customer Name	GL Code Loan Type	Active Maturity Revlr Cd	Day Code Perf Status Rate Code	Fixed Base Spread Rate	Principal Bal Interest Late Fee	Accruing Bal Interest MTD Daily Accrual	Commitment Available Original Commit
FSD046216 001 31600810S	MaryJo BONDS Share A Homes of the Virginia Penins	501C3 Interest Only	7/23/2015 8/1/2022 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$1,274,542.58 \$0.00 \$0.00	\$1,274,542.58 \$0.00 \$0.00	\$1,274,542.58 \$0.00 \$1,366,000.00
FSD060317 002 31801020S	MaryJo BONDS Virginia United Methodist Homes Inc	501C3 Interest Only	12/27/2017 6/1/2052 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$54,710,000.00 \$0.00 \$0.00	\$54,710,000.00 \$0.00 \$0.00	\$54,710,000.00 \$0.00 \$65,000,000.00
FSD077108 001 30900475	Linda BONDS Carilion Clinic	501C3 Interest Only	7/16/2008 7/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$50,000,000.00 \$0.00 \$0.00	\$50,000,000.00 \$0.00 \$0.00	\$160,000,000.00 \$0.00 \$175,000,000.00
FSD077108 001 30900480	Linda BONDS Carilion Clinic	501C3 Interest Only	7/16/2008 7/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$110,000,000.00 \$0.00 \$0.00	\$110,000,000.00 \$0.00 \$0.00	\$160,000,000.00 \$0.00 \$175,000,000.00
FSD094511 001 31100665	Linda BONDS The Trustees of Roanoke College	501C3 Interest Only	3/2/2011 4/1/2026 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,325,000.00 \$0.00 \$0.00	\$3,325,000.00 \$0.00 \$0.00	\$13,760,000.00 \$0.00 \$16,000,000.00
FSD094511 001 31100670	Linda BONDS The Trustees of Roanoke College	501C3 Interest Only	3/2/2011 4/1/2028 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$955,000.00 \$0.00 \$0.00	\$955,000.00 \$0.00 \$0.00	\$13,760,000.00 \$0.00 \$16,000,000.00
FSD094511 001 31100675	Linda BONDS The Trustees of Roanoke College	501C3 Interest Only	3/2/2011 4/1/2033 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$2,880,000.00 \$0.00 \$0.00	\$2,880,000.00 \$0.00 \$0.00	\$13,760,000.00 \$0.00 \$16,000,000.00
FSD094511 001 31100680	Linda BONDS The Trustees of Roanoke College	501C3 Interest Only	3/2/2011 4/1/2041 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$6,600,000.00 \$0.00 \$0.00	\$6,600,000.00 \$0.00 \$0.00	\$13,760,000.00 \$0.00 \$16,000,000.00
FSD108811 001 31100630	MaryJo BONDS Bon Secours Health System Inc/Oblig	501C3 Interest Only	10/19/2010 11/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$40,740,000.00 \$0.00 \$0.00	\$40,740,000.00 \$0.00 \$0.00	\$40,740,000.00 \$0.00 \$325,000,000.00

Trial Balance Report By GL Code
Virginia Small Business Financing Authority-Bonds
Accumulated Through 6/30/2018

Customer ID Facility ID Loan ID	Officer Branch Customer Name	GL Code Loan Type	Active Maturity Revlr Cd	Day Code Perf Status Rate Code	Fixed Base Spread Rate	Principal Bal Interest Late Fee	Accruing Bal Interest MTD Daily Accrual	Commitment Available Original Commit
FSD140811 001 31100620	MaryJo BONDS The Nansemond-Suffolk Academy As	501C3 Interest Only	12/30/2010 12/30/2020 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$2,878,333.61 \$0.00 \$0.00	\$2,878,333.61 \$0.00 \$0.00	\$2,878,333.61 \$0.00 \$4,400,000.00
FSD165007 001 30700435	MaryJo BONDS Virginia State University Real Estate	501C3 Interest Only	12/1/2006 7/1/2031 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$15,000,000.00 \$0.00 \$0.00	\$15,000,000.00 \$0.00 \$0.00	\$15,000,000.00 \$0.00 \$22,000,000.00
FSD186718 001 31801075S	MaryJo BONDS Inova Health System Foundation	501C3 Interest Only	12/27/2017 8/1/2018 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$171,140,000.00 \$0.00 \$0.00	\$171,140,000.00 \$0.00 \$0.00	\$171,140,000.00 \$0.00 \$200,000,000.00
FSD188610 001 31000570	MaryJo BONDS Trinity Episcopal School Inc	501C3 Interest Only	2/18/2010 2/1/2035 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$5,591,000.00 \$0.00 \$0.00	\$5,591,000.00 \$0.00 \$0.00	\$5,591,000.00 \$0.00 \$10,000,000.00
FSD190110 001 31000515	Nathalia BONDS Sentara Healthcare	501C3 Interest Only	1/28/2010 11/1/2040 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$223,480,000.00 \$0.00 \$0.00	\$223,480,000.00 \$0.00 \$0.00	\$223,480,000.00 \$0.00 \$300,000,000.00
FSD217611 001 31100625	MaryJo BONDS University of Virginia Foundation	501C3 Interest Only	12/21/2010 12/1/2030 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$7,987,485.50 \$0.00 \$0.00	\$7,987,485.50 \$0.00 \$0.00	\$7,987,485.50 \$0.00 \$15,000,000.00
FSD307607 004 31100685	Mary Jo BONDS NPPF Intermediate Funding I, LLC	501C3 Interest Only	12/23/2010 6/1/2037 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$12,969,530.42 \$0.00 \$0.00	\$12,969,530.42 \$0.00 \$0.00	\$12,969,530.42 \$0.00 \$15,000,000.00
FSD409207 001 30700425	MaryJo BONDS Community Residence Inc and Comm	501C3 Interest Only	9/26/2006 9/1/2036 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$5,357,179.22 \$0.00 \$0.00	\$5,357,179.22 \$0.00 \$0.00	\$5,357,179.22 \$0.00 \$12,000,000.00
FSD460312 001 31400770S	Nathalia BONDS Diocese of Richmond Housing Corp	501C3 Interest Only	6/7/2012 9/1/2028 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,521,680.74 \$0.00 \$0.00	\$3,521,680.74 \$0.00 \$0.00	\$3,521,680.74 \$0.00 \$5,500,000.00

Trial Balance Report By GL Code
Virginia Small Business Financing Authority-Bonds
Accumulated Through 6/30/2018

Customer ID Facility ID Loan ID	Officer Branch Customer Name	GL Code Loan Type	Active Maturity Revlr Cd	Day Code Perf Status Rate Code	Fixed Base Spread Rate	Principal Bal Interest Late Fee	Accruing Bal Interest MTD Daily Accrual	Commitment Available Original Commit
FSD510205333 003 31500800	Nathalia BONDS Virginia Museum of Fine Arts Found	501C3 Interest Only	6/26/2014 8/1/2038 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$10,031,988.27 \$0.00 \$0.00	\$10,031,988.27 \$0.00 \$0.00	\$40,130,988.27 \$0.00 \$40,200,000.00
FSD510205333 003 31500805	Nathalia BONDS Virginia Museum of Fine Arts Found	501C3 Interest Only	6/26/2014 8/1/2038 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$30,099,000.00 \$0.00 \$0.00	\$30,099,000.00 \$0.00 \$0.00	\$40,130,988.27 \$0.00 \$40,200,000.00
FSD520510 002 3130750S	Nathalia BONDS YMCA of South Hampton Roads	501C3 Interest Only	5/31/2012 5/31/2022 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,351,411.00 \$0.00 \$0.00	\$3,351,411.00 \$0.00 \$0.00	\$3,351,411.00 \$0.00 \$11,100,000.00
FSD531710 002 31200690	MaryJo BONDS Memorial Trustees of the VA Diocesa	501C3 Interest Only	2/23/2012 5/1/2032 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,213,630.00 \$0.00 \$0.00	\$3,213,630.00 \$0.00 \$0.00	\$3,213,630.00 \$0.00 \$4,025,000.00
FSD539511 001 31100615	MaryJo BONDS Goodwill Industries of Central Virgin	501C3 Interest Only	2/3/2011 2/1/2024 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$9,438,968.42 \$0.00 \$0.00	\$9,438,968.42 \$0.00 \$0.00	\$9,438,968.42 \$0.00 \$15,200,000.00
FSD539511 002 31300755S	MaryJo BONDS Goodwill Industries of Central Virgin	501C3 Interest Only	8/13/2012 5/1/2033 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$5,814,285.50 \$0.00 \$0.00	\$5,814,285.50 \$0.00 \$0.00	\$5,814,285.50 \$0.00 \$8,000,000.00
FSD540419452 003 31400760S	Nathalia BONDS Virginia Historical Society	501C3 Interest Only	6/27/2013 6/1/2033 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$2,171,402.19 \$0.00 \$0.00	\$2,171,402.19 \$0.00 \$0.00	\$2,171,402.19 \$0.00 \$15,000,000.00
FSD540419452 004 31400765	Nathalia BONDS Virginia Historical Society	501C3 Interest Only	6/27/2013 6/1/2020 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$1,302,239.35 \$0.00 \$0.00	\$1,302,239.35 \$0.00 \$0.00	\$1,302,239.35 \$0.00 \$4,914,000.00
FSD540506319 002 30600400	Nathalia BONDS Mary Baldwin University	501C3 Interest Only	12/15/2005 12/31/2022 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,750,000.00 \$0.00 \$0.00	\$3,750,000.00 \$0.00 \$0.00	\$3,750,000.00 \$0.00 \$11,345,000.00

Trial Balance Report By GL Code
Virginia Small Business Financing Authority-Bonds
Accumulated Through 6/30/2018

Customer ID Facility ID Loan ID	Officer Branch Customer Name	GL Code Loan Type	Active Maturity Revlr Cd	Day Code Perf Status Rate Code	Fixed Base Spread Rate	Principal Bal Interest Late Fee	Accruing Bal Interest MTD Daily Accrual	Commitment Available Original Commit
FSD540506319 004 31200715	Nathalia BONDS Mary Baldwin University	501C3 Interest Only	2/23/2012 10/1/2024 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$1,780,328.00 \$0.00 \$0.00	\$1,780,328.00 \$0.00 \$0.00	\$1,780,328.00 \$0.00 \$3,386,000.00
FSD540506321 002 31300730	MaryJo BONDS Children's Hospital of Kings Daughte	501C3 Interest Only	9/19/2012 1/1/2023 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$61,358,991.33 \$0.00 \$0.00	\$61,358,991.33 \$0.00 \$0.00	\$61,358,991.33 \$0.00 \$76,400,000.00
FSD540506321 003 31500825S	MaryJo BONDS Children's Hospital of Kings Daughte	501C3 Interest Only	12/1/2015 3/1/2045 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$71,300,000.00 \$0.00 \$0.00	\$71,300,000.00 \$0.00 \$0.00	\$71,300,000.00 \$0.00 \$100,000,000.00
FSD588610 002 31000555	MaryJo BONDS Church Schools in the Diocese of Vir	501C3 Interest Only	12/1/2009 12/1/2031 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$4,404,558.13 \$0.00 \$0.00	\$4,404,558.13 \$0.00 \$0.00	\$4,404,558.13 \$0.00 \$28,829,906.00
FSD588610 004 31801025S	MaryJo BONDS Church Schools in the Diocese of Vir	501C3 Interest Only	10/24/2017 10/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$2,805,191.74 \$0.00 \$0.00	\$2,805,191.74 \$0.00 \$0.00	\$29,040,453.45 \$0.00 \$35,000,000.00
FSD588610 004 31801030S	MaryJo BONDS Church Schools in the Diocese of Vir	501C3 Interest Only	10/24/2017 10/1/2035 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$13,462,322.00 \$0.00 \$0.00	\$13,462,322.00 \$0.00 \$0.00	\$29,040,453.45 \$0.00 \$35,000,000.00
FSD588610 004 31801035S	MaryJo BONDS Church Schools in the Diocese of Vir	501C3 Interest Only	10/24/2017 10/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,132,123.71 \$0.00 \$0.00	\$3,132,123.71 \$0.00 \$0.00	\$29,040,453.45 \$0.00 \$35,000,000.00
FSD588610 004 31801040S	MaryJo BONDS Church Schools in the Diocese of Vir	501C3 Interest Only	10/24/2017 10/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$478,377.00 \$0.00 \$0.00	\$478,377.00 \$0.00 \$0.00	\$29,040,453.45 \$0.00 \$35,000,000.00
FSD588610 004 31801045S	MaryJo BONDS Church Schools in the Diocese of Vir	501C3 Interest Only	10/24/2017 10/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$1,007,109.00 \$0.00 \$0.00	\$1,007,109.00 \$0.00 \$0.00	\$29,040,453.45 \$0.00 \$35,000,000.00

Trial Balance Report By GL Code
Virginia Small Business Financing Authority-Bonds
Accumulated Through 6/30/2018

Customer ID Facility ID Loan ID	Officer Branch Customer Name	GL Code Loan Type	Active Maturity Revlr Cd	Day Code Perf Status Rate Code	Fixed Base Spread Rate	Principal Bal Interest Late Fee	Accruing Bal Interest MTD Daily Accrual	Commitment Available Original Commit
FSD588610 004 31801050S	MaryJo BONDS Church Schools in the Diocese of Vir	501C3 Interest Only	10/24/2017 1/1/2030 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$6,583,333.00 \$0.00 \$0.00	\$6,583,333.00 \$0.00 \$0.00	\$29,040,453.45 \$0.00 \$35,000,000.00
FSD588610 004 31801055S	MaryJo BONDS Church Schools in the Diocese of Vir	501C3 Interest Only	10/24/2017 10/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$1,571,997.00 \$0.00 \$0.00	\$1,571,997.00 \$0.00 \$0.00	\$29,040,453.45 \$0.00 \$35,000,000.00
FSD599008 002 31500785	MaryJo BONDS Hampton University	501C3 Interest Only	1/29/2015 10/1/2029 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$106,220,000.00 \$0.00 \$0.00	\$106,220,000.00 \$0.00 \$0.00	\$106,220,000.00 \$0.00 \$115,090,000.00
FSD599011 001 31100605	MaryJo BONDS Hampton University	501C3 Interest Only	12/1/2010 4/1/2018 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$500,000.00 \$0.00 \$0.00	\$500,000.00 \$0.00 \$0.00	\$500,000.00 \$0.00 \$3,635,000.00
FSD632810 001 31000530	MaryJo BONDS Richmond SPCA	501C3 Interest Only	9/30/2009 12/5/2031 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$4,516,622.00 \$0.00 \$0.00	\$4,516,622.00 \$0.00 \$0.00	\$4,516,622.00 \$0.00 \$6,500,000.00
FSD646507 002 31801005	Nathalia BONDS Wellmont Health System	501C3 Interest Only	11/16/2017 9/1/2037 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$49,870,000.00 \$0.00 \$0.00	\$49,870,000.00 \$0.00 \$0.00	\$49,870,000.00 \$0.00 \$49,870,000.00
FSD675116 001 31600815S	MaryJo BONDS Hampton Newport News Community	501C3 Interest Only	7/23/2015 8/1/2022 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$961,038.53 \$0.00 \$0.00	\$961,038.53 \$0.00 \$0.00	\$13,985,698.75 \$0.00 \$15,030,000.00
FSD675116 001 31600820S	MaryJo BONDS Hampton Newport News Community	501C3 Interest Only	7/23/2015 8/1/2022 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$13,024,660.22 \$0.00 \$0.00	\$13,024,660.22 \$0.00 \$0.00	\$13,985,698.75 \$0.00 \$15,030,000.00
FSD790010 001 31000580	Nathalia BONDS The Virginia Home	501C3 Interest Only	1/14/2010 7/1/2022 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,485,000.00 \$0.00 \$0.00	\$3,485,000.00 \$0.00 \$0.00	\$3,485,000.00 \$0.00 \$8,125,000.00

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FSD794807 003 31500790S	Linda BONDS Friendship Foundation	501C3 Interest Only	7/1/2014 6/1/2039 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$15,551,088.00 \$0.00 \$0.00	\$15,551,088.00 \$0.00 \$0.00	\$15,551,088.00 \$0.00 \$16,850,478.00
FSD794807 004 31500795S	Linda BONDS Friendship Foundation	501C3 Interest Only	7/1/2014 6/1/2039 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$18,916,862.00 \$0.00 \$0.00	\$18,916,862.00 \$0.00 \$0.00	\$18,916,862.00 \$0.00 \$19,649,522.00
FSD874415 001 31500775S	MaryJo BONDS Rappahannock Goodwill Industries	501C3 Interest Only	10/24/2014 10/1/2024 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,218,519.00 \$0.00 \$0.00	\$3,218,519.00 \$0.00 \$0.00	\$11,673,632.00 \$0.00 \$14,500,000.00
FSD874415 001 31500780S	MaryJo BONDS Rappahannock Goodwill Industries	501C3 Interest Only	10/24/2014 10/1/2024 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$8,455,113.00 \$0.00 \$0.00	\$8,455,113.00 \$0.00 \$0.00	\$11,673,632.00 \$0.00 \$14,500,000.00
GL Code Totals	Subtotals for:	501C3				\$1,180,185,910.46	\$1,180,185,910.46	\$1,180,185,910.46
	Number of Loans:	49				\$0.00	\$0.00	\$0.00
						\$0.00	\$0.00	\$1,768,915,906.00
FSD124510 001 31000505	Nathalia BONDS Airport Property Partners, LLC	IDB Interest Only	1/1/2010 1/1/2040 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$25,000.00 \$0.00 \$0.00	\$25,000.00 \$0.00 \$0.00	\$25,000.00 \$0.00 \$7,000,000.00
FSD128011 001 31100610	Nathalia BONDS International Parkway Associates, LL	IDB Interest Only	10/26/2010 11/1/2025 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$746,361.48 \$0.00 \$0.00	\$746,361.48 \$0.00 \$0.00	\$746,361.48 \$0.00 \$1,385,000.00
FSD365611 001 31200695	MaryJo BONDS Elizabeth River Crossings, LLC	IDB Interest Only	4/1/2012 7/1/2027 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$42,365,000.00 \$0.00 \$0.00	\$42,365,000.00 \$0.00 \$0.00	\$454,565,000.00 \$0.00 \$1,250,000,000.00
FSD365611 001 31200700	MaryJo BONDS Elizabeth River Crossings, LLC	IDB Interest Only	4/1/2012 1/1/2032 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$91,795,000.00 \$0.00 \$0.00	\$91,795,000.00 \$0.00 \$0.00	\$454,565,000.00 \$0.00 \$1,250,000,000.00

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FSD365611 001 31200710	MaryJo BONDS Elizabeth River Crossings, LLC	IDB Interest Only	4/1/2012 1/1/2042 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$320,405,000.00 \$0.00 \$0.00	\$320,405,000.00 \$0.00 \$0.00	\$454,565,000.00 \$0.00 \$1,250,000,000.00
FSD521238037 002 31300735	Nathalia BONDS Miltco LC	IDB Interest Only	8/21/2012 8/30/2038 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$5,324,540.88 \$0.00 \$0.00	\$5,324,540.88 \$0.00 \$0.00	\$5,324,540.88 \$0.00 \$6,000,000.00
FSD540701185 001 30100400	Nathalia BONDS Eastern Sleep Products Co	IDB Interest Only	6/26/2001 6/21/2021 C	360/360 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$697,192.93 \$0.00 \$0.00	\$697,192.93 \$0.00 \$0.00	\$697,192.93 \$0.00 \$2,115,000.00
FSD540808788 002 30500005	Nathalia BONDS BSL, LLC	IDB Interest Only	7/1/2004 10/20/2020 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$980,000.00 \$0.00 \$0.00	\$980,000.00 \$0.00 \$0.00	\$980,000.00 \$0.00 \$3,000,000.00
FSD617950 001 30800445	MaryJo BONDS Bleachtech, LLC	IDB Interest Only	9/13/2007 9/1/2022 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$4,655,000.00 \$0.00 \$0.00	\$4,655,000.00 \$0.00 \$0.00	\$4,655,000.00 \$0.00 \$10,000,000.00
FSD668813 001 31300720	MaryJo BONDS 95 Express LLC	IDB Interest Only	7/31/2012 1/1/2040 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$71,690,000.00 \$0.00 \$0.00	\$71,690,000.00 \$0.00 \$0.00	\$241,950,000.00 \$0.00 \$241,950,000.00
FSD668813 001 31300725	MaryJo BONDS 95 Express LLC	IDB Interest Only	7/31/2012 1/1/2040 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$170,260,000.00 \$0.00 \$0.00	\$170,260,000.00 \$0.00 \$0.00	\$241,950,000.00 \$0.00 \$241,950,000.00
FSD668813 002 31801065	MaryJo BONDS 95 Express LLC	IDB Interest Only	7/25/2017 1/1/2040 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$232,995,000.00 \$0.00 \$0.00	\$232,995,000.00 \$0.00 \$0.00	\$232,995,000.00 \$0.00 \$300,000,000.00
FSD919218 001 31801070	MaryJo BONDS I 66 Express Mobility Partners LLC	IDB Interest Only	11/9/2017 12/31/2047 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$737,000,000.00 \$0.00 \$0.00	\$737,000,000.00 \$0.00 \$0.00	\$737,000,000.00 \$0.00 \$737,000,000.00

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IDB99C000450 001 39700175	Linda BONDS Heritage Place LC	IDB Interest Only	12/11/1997 10/1/2018 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$175,000.00 \$0.00 \$0.00	\$175,000.00 \$0.00 \$0.00	\$175,000.00 \$0.00 \$3,000,000.00
GL Code Totals	Subtotals for: Number of Loans:	IDB 14				\$1,679,113,095.29 \$0.00 \$0.00	\$1,679,113,095.29 \$0.00 \$0.00	\$1,679,113,095.29 \$0.00 \$2,561,450,000.00
FSD588616 001 31600830	Scott BONDS Virginia SAVES Green Community P	QECB Interest Only	12/1/2015 1/1/2031 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$2,284,702.29 \$0.00 \$0.00	\$2,284,702.29 \$0.00 \$0.00	\$2,284,702.29 \$0.00 \$2,500,000.00
FSD588616 002 31700845	Scott BONDS Virginia SAVES Green Community P	QECB Interest Only	12/20/2016 12/20/2031 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$2,588,835.23 \$0.00 \$0.00	\$2,588,835.23 \$0.00 \$0.00	\$2,588,835.23 \$0.00 \$2,750,000.00
FSD588616 003 31700840	Scott BONDS Virginia SAVES Green Community P	QECB Interest Only	9/29/2016 10/1/2031 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$2,187,501.00 \$0.00 \$0.00	\$2,187,501.00 \$0.00 \$0.00	\$2,187,501.00 \$0.00 \$2,200,000.00
FSD588616 005 31700835	Scott BONDS Virginia SAVES Green Community P	QECB Interest Only	10/27/2016 11/1/2037 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$3,855,000.00 \$0.00 \$0.00	\$3,855,000.00 \$0.00 \$0.00	\$3,855,000.00 \$0.00 \$4,000,000.00
FSD588616 006 31801000	Scott BONDS Virginia SAVES Green Community P	QECB Interest Only	5/12/2017 5/12/2031 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$1,665,000.00 \$0.00 \$0.00	\$1,665,000.00 \$0.00 \$0.00	\$1,665,000.00 \$0.00 \$1,665,320.00
FSD588616 007 31801015	Scott BONDS Virginia SAVES Green Community P	QECB Interest Only	7/25/2017 7/15/2037 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$1,893,750.00 \$0.00 \$0.00	\$1,893,750.00 \$0.00 \$0.00	\$1,893,750.00 \$0.00 \$1,850,000.00
FSD588616 008 31801010	Scott BONDS Virginia SAVES Green Community P	QECB Interest Only	9/28/2017 8/15/2029 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$7,821,491.84 \$0.00 \$0.00	\$7,821,491.84 \$0.00 \$0.00	\$7,821,491.84 \$0.00 \$7,900,000.00

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FSD588616 009 31801060	Scott BONDS Virginia SAVES Green Community P	QECB Interest Only	12/29/2017 7/1/2050 C	Actual/365 Performing 001	0.0000000000 0.0000000000 0.0000000000	\$40,000,000.00 \$0.00 \$0.00	\$40,000,000.00 \$0.00 \$0.00	\$40,000,000.00 \$0.00 \$40,000,000.00
GL Code Totals	Subtotals for: Number of Loans:	QECB 8				\$62,296,280.36 \$0.00 \$0.00	\$62,296,280.36 \$0.00 \$0.00	\$62,296,280.36 \$0.00 \$62,865,320.00
Grand Totals:	Number of Loans:	71				\$2,921,595,286.11 \$0.00 \$0.00	\$2,921,595,286.11 \$0.00 \$0.00	\$2,921,595,286.11 \$0.00 \$4,393,231,226.00