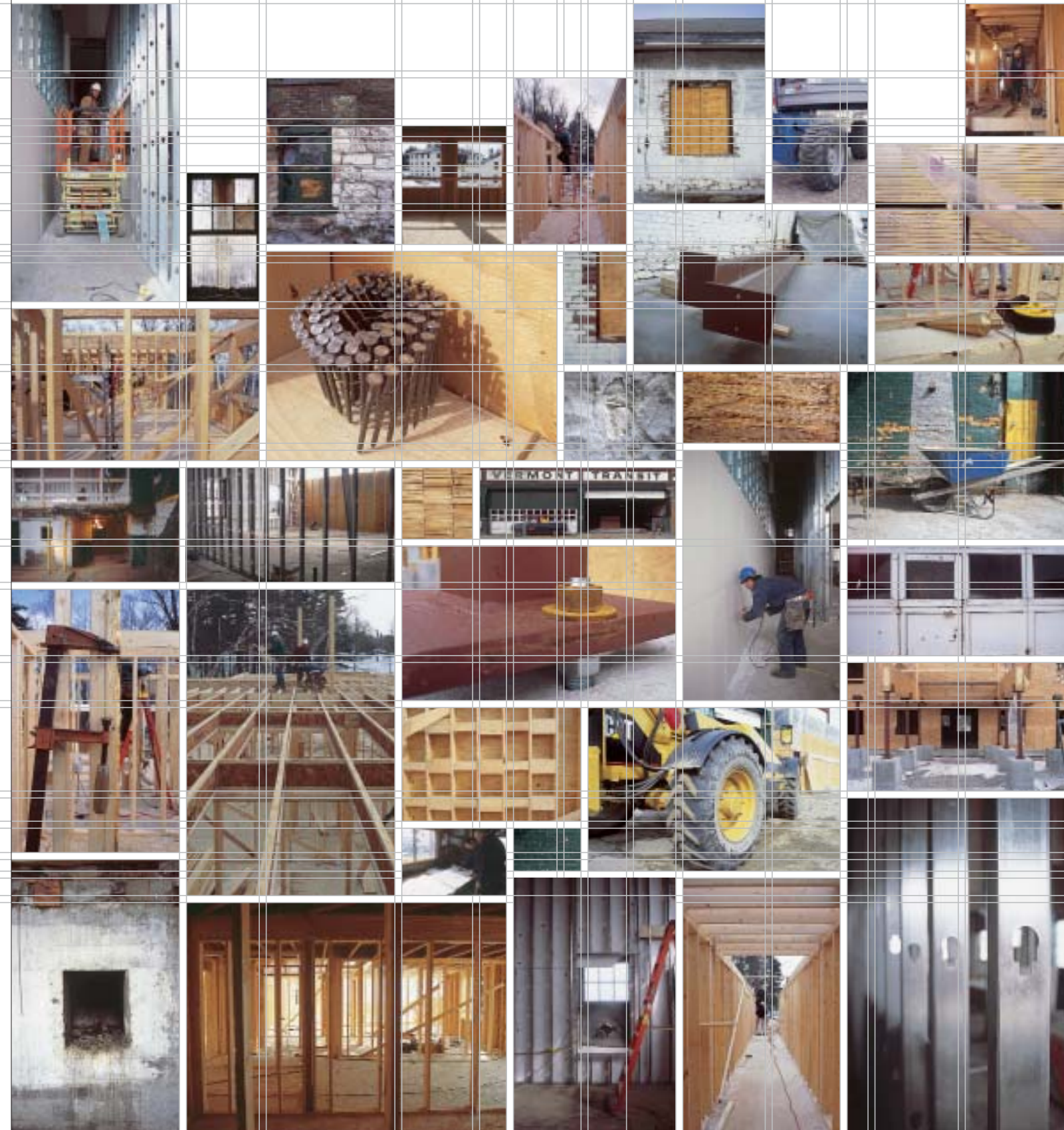


HOUSING VERMONT
ANNUAL REPORT 2000

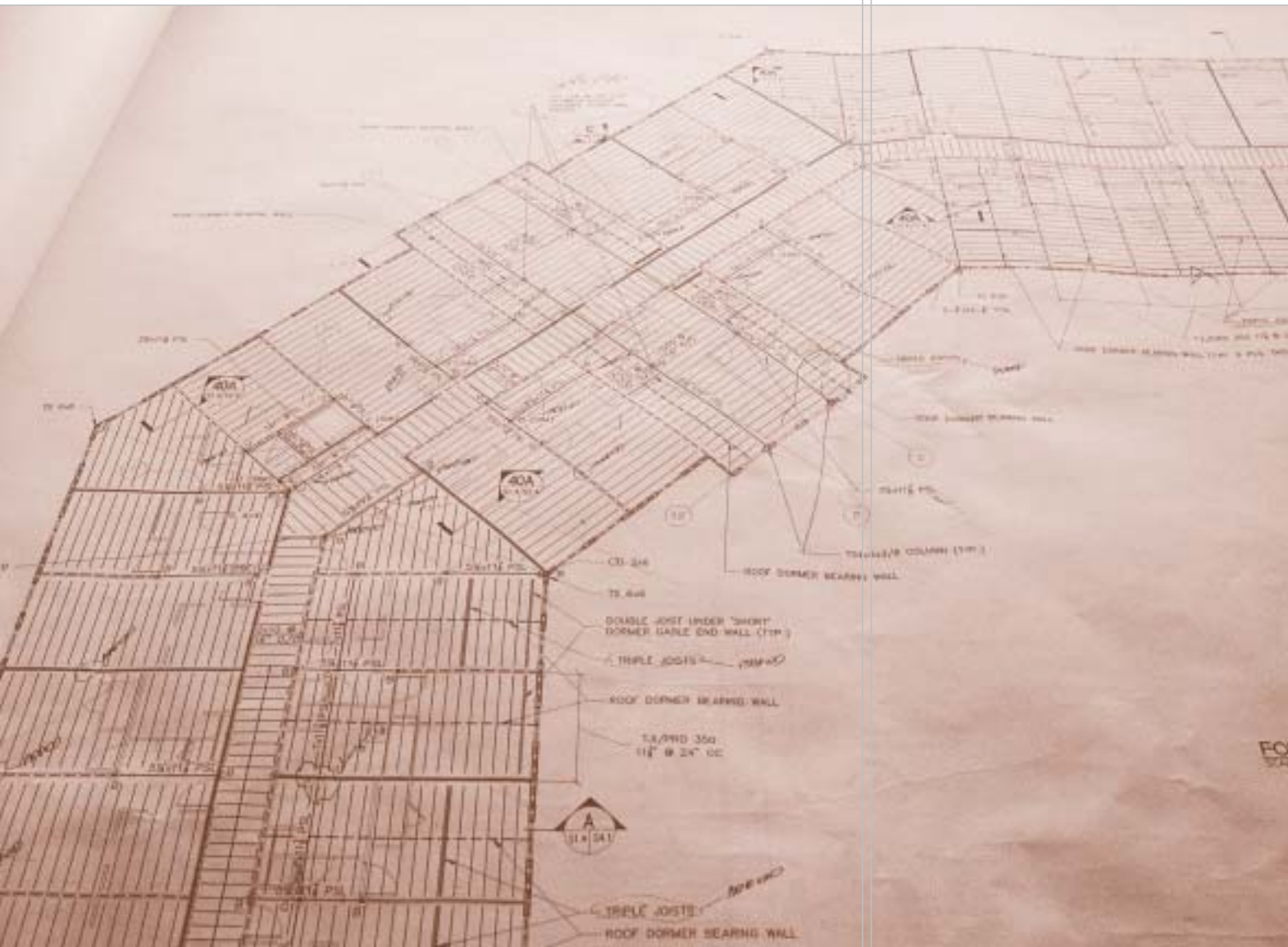


HOUSING VERMONT

123 ST. PAUL STREET BURLINGTON, VERMONT 05401
PHONE 802-863-8424 FAX 802-660-9034

MISSION STATEMENT

Housing Vermont is a private, non-profit development company founded in 1988. Our mission is to produce permanently affordable housing for Vermonters through partnerships with communities and the private sector. Our partnerships support state and local development goals, particularly downtown revitalization, and create safe living conditions for our residents.



The need for affordable housing is painfully clear. It is captured in the lives of individual low and moderate income Vermont families and in the dry statistics of special studies. Its effects are felt in the common rooms of homeless shelters and in the board rooms of multinational corporations. The challenge facing Housing Vermont and its nonprofit, public and private partners is equally formidable—How do you create badly needed affordable housing without jeopardizing the qualities which make Vermont so special?

The answer is both simple to state and difficult to achieve: Create good quality housing which is tailored to the needs of the community and ensure that it remains affordable and a good place to live over time. One very effective strategy which Housing Vermont has long practiced has been to acquire and renovate vacant or dilapidated buildings in village and city centers. Transforming such community liabilities has a number of distinct advantages. It frequently serves as an impetus to redevelop whole neighborhoods, makes use of the existing municipal infrastructure, and promotes historic preservation.

Downtown rehabilitation remains a potent strategy for creating affordable housing. However, in many cases there is a lack of suitable, larger buildings which can be used to develop affordable housing in the volume needed to make a true impact on the local housing market. In the past year, Housing Vermont – in collaboration with its partners – increasingly turned to the use of new construction to narrow the widening gap between demand and availability.

Thoughtful development with a local sensitivity provided by Housing Vermont's community partners produces new construction which creates attractive homes, offers affordable housing choices in expanding neighborhoods and encourages economically diverse, vibrant communities. Moreover, Housing Vermont accomplishes this without contributing to strip development, leap frog growth, wasteful land consumption and the other characteristics of sprawl.

This high level of quality is no accident. Perseverance and hard work are the hallmarks of Housing Vermont and its local, public and private partners. We thank all of those mentioned in this report for contributing so much to this vital endeavor.

**LETTER FROM THE PRESIDENT
& BOARD CHAIR**



Andy Broderick



Ken Perine

Housing Vermont faced both exceptional challenges and inviting opportunities in the millennium year. Much like 1988 when we started, there is an acute shortage of safe, decent, and affordable housing. Study after study confirms what our vacancy rates tell us: demand far outstrips supply. Once again, the local news carries stories of businesses reconsidering expansion plans because of the housing shortage and of working families forced to choose between safe housing and their families' other basic needs. Homelessness is up. Simply stated, we have an enormous amount of work to do. But unlike 1988, we are not just learning the ropes. In 2000, we had strong partners, committed investors, expanding State and federal resources, and an experienced staff. Bolstered by these tools, we were equal to the challenge.

Vermont's housing groups last year demonstrated that they do much more than talk about partnerships. With an understanding of their markets, an eye for opportunity and experience with building political consensus, a number of community-based nonprofits invited us to work with them. We closed projects this year with the Lake Champlain Housing Development Corporation (LCHDC), Cathedral Square Corporation (CSC), Burlington Community

Land Trust (BCLT) and Franklin Housing, Inc. and initiated work on new deals with the Addison County Community Action Group, Wells River Action Program, Richford Renaissance, Gilman Housing Trust, Rutland County Community Land Trust, Twin Pines Housing Partnership, Lamoille Housing Partnership, LCHDC, CSC and BCLT. Together we produced projects that we never could have done separately. In 2000, our banking and investment partners did not hesitate to step forward and invest in their neighborhoods. We renewed investment relationships with the Merchants Bank, Charter One, Union Bank, Community National Bank, Chittenden Bank, Howard Bank and the Franklin-Lamoille Bank. Most of these banks have invested in projects like these for more than 10 years.

New and expanded resources also differentiate 1988 from 2000. The Vermont legislature approved a State Affordable Housing Credit Program to complement the federal Low Income Housing Tax Credit Program. In calendar 2000, the \$100,000 State credit allowed three important affordable rental projects to proceed. State allocations for Vermont Housing and Conservation Board were expanded in 2000, with an increase in the

annual allocation and a special one-time funding award. This support from the State legislature and the Dean administration demonstrates that progress can be made on a continual basis in responding to affordable housing needs in Vermont.

At the close of 2000, the federal spending bill included an increase for two vitally important programs in Vermont. The Low Income Housing Tax Credit Program experienced a dramatic boost. Vermont's annual allocation jumped nearly threefold, from \$744,000 to \$2 million. In addition, Vermont's allocation for private activity bonds was increased to \$187.5 million. Vermont's congressional delegation took a major leadership role in passing both parts of this federal legislation and Housing Vermont greatly appreciates their truly extraordinary efforts.

The staff and board of Vermont Housing Finance Agency helped us break new ground this year. We worked closely on VHFA's discounted acquisition of the U.S. Department of Housing and Urban Development's notes on Westgate, Highgate, and Mountain View. The acquisition preserved affordability for these projects and provided funds for the redevelopment of Westgate. VHFA also worked with us to maximize the develop-

ment value of tax exempt bonds by making such funds more readily available for construction financing.

Finally, it is the Housing Vermont staff that converts all these promising opportunities into solid projects. Nowhere in the State are there 15 more dedicated housing professionals. That commitment combined with the enormous skill and experience of these project managers, developers, asset managers, and all the rest give our partners, investors, and funders the confidence to move projects forward. Peter Richardson as President strongly led the organization through the end of July before being tempted back to working on national housing issues full time. We appreciate his many contributions and wish him well in his new venture. Housing Vermont remains a full-service development company, proud to provide affordable housing to almost 3,000 households.

Andy Broderick, *President*

Ken Perine, *Board Chair*

GENERAL PARTNERS

Abbott Group, Inc.
 Applegate Housing, Inc.
 Brattleboro Area Community Land Trust
 Bristol Family Housing, Inc., a subsidiary of Addison County Community Action Group
 Bugbee Street Properties, Inc., a subsidiary of Twin Pine Housing Trust
 Burlington Community Land Trust
 Burlington Housing Authority
 Capital City Housing Foundation, Inc., a subsidiary of Montpelier Housing Authority

Central Vermont Housing Opportunities, a subsidiary of Central Vermont Community Land Trust
 Joseph M. Cloutier
 Gilman Housing Trust, Inc.
 Hardwick Nonprofit Housing Corporation
 Heineberg Senior Housing Corporation
 Highgate Housing, Inc.
 Holy Cross Senior Housing Corporation
 Housing Foundation, Inc., a subsidiary of Vermont State Housing Authority

Interfaith Housing Corporation
 Lake Champlain Housing Ventures, Inc.
 LHP 1994, Inc., a subsidiary of Lamoille Housing Partnership
 McAuley Square, Inc.
 Northgate Housing, Inc.
 Peacham Community Housing, Inc.
 Randolph Neighborhood Housing Services
 Regional Affordable Housing Corporation
 Revitalizing Waterbury, Inc.

Rockingham Area Community Land Trust
 Rutland County Community Land Trust
 Springfield Housing Unlimited, a subsidiary of Springfield Housing Authority
 St. Johnsbury Housing Corporation
 Vermont Arts Realty Trust, Inc., a subsidiary of Vermont Arts Exchange
 Wells River Action Program
 Williston Elder Housing, Inc.
 White River Area Housing Development Corporation

**LIMITED PARTNERS/
INVESTORS**

CDC-Asbany Corp.
a division of Charter One Bank

Arrow Financial Corporation

The Bank of Bennington

Ben & Jerry's Homemade, Inc.

Central Vermont Public Service Corporation

Chittenden Bank

Community National Bank

Factory Point National Bank

Federal National Mortgage Association

First Vermont Bank & Trust Company

Fleet National Bank

Franklin Lamoille Bank

Robert and Cynthia Hoehl

Holstein Friesian Association of America

Howard Bank

Key Bank

Lyndonville Savings Bank & Trust

Merchants Bank

Michel Associates, Ltd.

National Bank of Middlebury

National Life Insurance Company of Vermont

Northfield Savings Bank

Passumpsic Savings Bank

The Richman Group, Inc.

Union Bank

Wells River Savings Bank

Woodsville Guaranty Savings Bank

PROFESSIONAL SERVICES

PROPERTY MANAGEMENT COMPANIES:

Addison County Community Action Group

Burlington Community Land Trust

Burlington Housing Authority

Cathedral Square Corporation

Central Vermont Community Land Trust

Franklin Homestead, Inc.

Lake Champlain Housing Ventures, Inc.

Maloney Properties, Inc.

Montpelier Housing Authority

Moseley Associates, Ltd.

Northern Community Management Corporation

Regional Affordable Housing Corporation

Rockingham Area Community Land Trust

Rutland County Community Land Trust

Springfield Housing Authority

Stewart Property Management

Technical Planning and Management Company

Vermont State Housing Authority

COUNSEL TO HOUSING VERMONT:

Robert A. Gensburg, Esq.

ACCOUNTANTS:

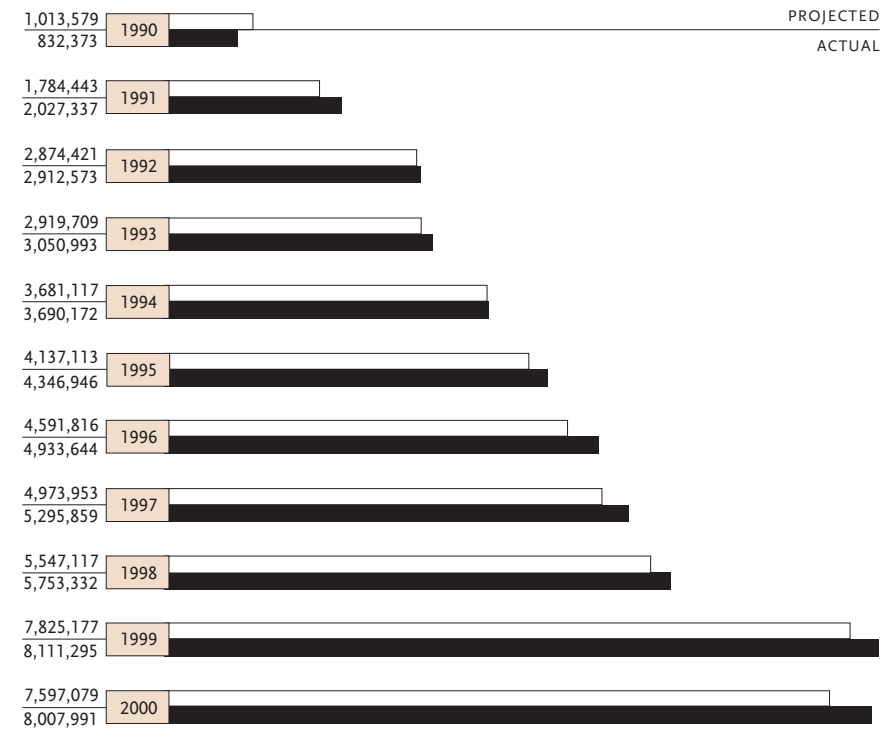
A.M. Peisch & Company

Otis, Atwell & Timberlake

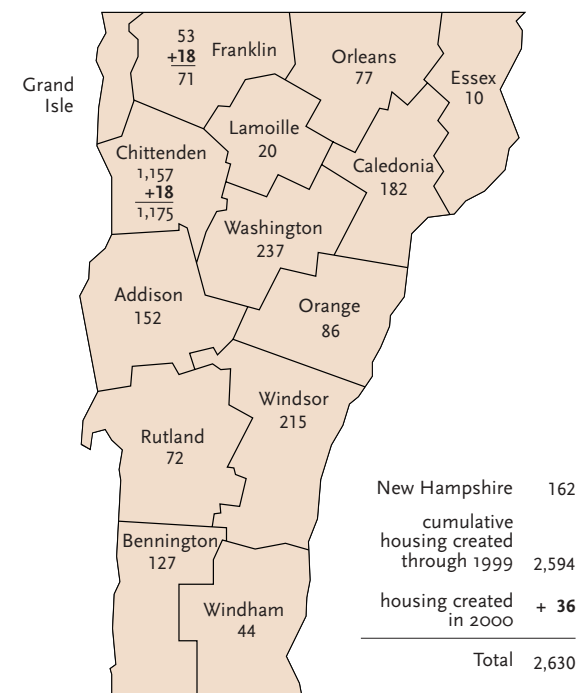
Stevens Wilcox Baker Potvin Cassidy & Jakubowski

McCormack, Guyette & Associates

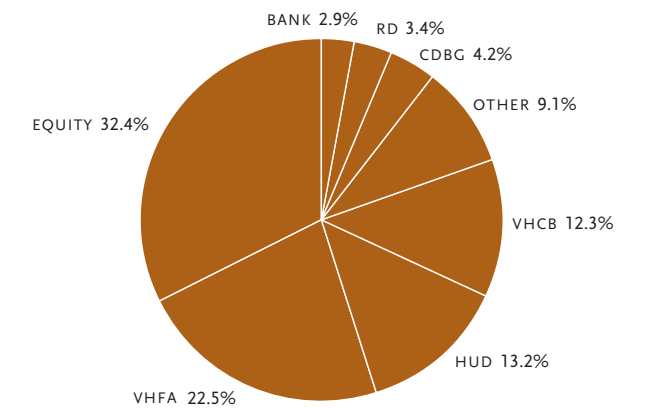
PORTFOLIO TAX BENEFITS



HOUSING UNITS BY COUNTY



SOURCES OF FUNDS



HOUSING VERMONT DEVELOPMENTS 1988-2000

ANNUAL PRODUCTION AND SOURCES OF FUNDS

PROJECT (BY YEAR ACQUIRED)	NUMBER OF UNITS	TOTAL COST	COST PER APT. UNIT	LIHTC PER YEAR	HISTORIC TAX CREDIT	EQUITY			LOANS AND GRANTS										
						LIMITEDS	GPS	VHFA	VHCB	HUD	CDBG	BANK	RD	OTHER					
1998																			
61 PARK PLACE PHASE II - Burlington	14	2,571,784 (1)	121,078	75,000	414,494	1,317,982	13,313	-	192,900	-	-	575,000	-	-	735,549				
62 PEARL & UNION - Burlington	21	1,128,450	53,736	57,300	127,173	746,841	7,544	-	147,700	-	-	155,000	-	-	193,056				
63 LAKEVIEW - Newport	16	1,392,733	87,046	35,534	168,517	471,000	24,790	-	82,969	-	-	-	760,000	-	96,650				
64 BENNINGTON ARTS - Bennington	15	1,701,564	113,438	73,000	237,000	1,207,800	12,200	-	233,860	-	-	20,000	-	-	469,176				
65 BAILEY BALDWIN BARRE - Montpelier	15	1,491,890 (1)	88,464	50,000	190,497	747,450	7,550	85,000	270,500	-	-	-	-	-	435,598				
66 HIGHLAND HILL - Hardwick	14	1,389,252	99,232	47,500	223,962	622,215	6,286	-	197,477	-	-	-	-	-	562,883				
1998 TOTALS	95	9,675,672	90,885	338,334	1,361,643	5,113,288	71,683	85,000	1,125,406	0	0	750,000	760,000	0	2,492,912				
1999																			
67 EXNER BLOCK - Bellows Falls	10	2,134,242 (1,3)	173,363	63,512	299,361	820,833	11,056	-	215,000	390,000	-	-	-	-	614,242				
68 MILLVIEW APARTMENTS - Burlington	12	1,332,969 (3)	111,081	85,779	-	881,000	8,900	-	240,000	-	-	115,000	-	-	217,600				
69 BUS BARNS - Burlington	25	5,940,584 (1,3)	136,607	246,456	612,602	2,889,992	29,192	-	597,000	-	50,000	550,000	-	-	1,824,400				
70 VERGENNES/MIDDLEBURY	14	1,605,193 (3)	114,657	85,471	244,522	1,250,461	12,630	-	433,880	-	-	58,000	-	-	54,000				
71 MCAULEY SQUARE - Burlington	74	9,304,535 (3)	125,737	354,366	-	3,467,970	35,030	3,931,500	730,000	367,000	-	-	-	-	773,035				
72 CRYSTAL LAKE APARTMENTS - Barton	15	1,723,136 (3)	114,876	59,553	249,209	815,505	8,238	-	178,768	-	-	-	708,626	-	105,000				
73 ALLEN & CANAL - Winooski	17	969,130 (3)	57,008	28,609	-	231,660	2,340	714,000	-	-	-	-	-	-	63,000				
74 PORTLAND STREET - Morrisville	8	1,058,972 (3)	132,372	37,500	172,417	470,250	4,750	-	119,445	-	-	370,000	-	-	94,651				
75 SWANTON SCHOOL - Swanton	16	2,368,927 (1,3)	115,057	51,988	-	1,079,363	10,902	-	326,000	-	-	570,000	-	-	534,027				
76 SAXTONS RIVER SCATTERED SITES	17	1,899,746 (3)	111,750	68,677	215,264	883,279	8,922	816,000	240,000	-	-	-	-	-	79,000				
77 BRIARS APARTMENTS - Wilder	24	1,568,624 (3)	65,359	23,306	-	402,020	4,060	681,000	242,000	-	-	-	-	-	342,904				
1999 TOTALS	232	29,906,058	117,031	1,105,217	1,793,375	13,192,333	136,020	6,142,500	3,322,093	757,000	50,000	1,663,000	708,626	0	4,701,859				
2000																			
78 FRANKLIN CARRIAGE HOUSE - Franklin	18	2,919,824 (3)	162,212	174,091	-	1,567,012	15,828	-	649,403	-	498,000	190,000	-	-	-				
79 ANDERSON PARKWAY - South Burlington	18	1,426,626 (3)	79,257	36,857	-	388,872	3,928	-	280,000	-	396,000	-	-	-	357,826				
2000 TOTALS	36	4,346,450	120,746	210,948	0	1,955,884	19,756	0	929,403	0	894,000	190,000	0	0	357,826				

TAX CREDIT PROPERTIES (EXCL. NCIC, LINDEN TERRACE)

ALL PROPERTIES	TOTAL COST	NUMBER OF UNITS	COST PER APT. UNIT	LIHTC PER YEAR	HISTORIC TAX CREDIT	LIMITEDS	GPS	VHFA	VHCB	HUD	CDBG	BANK	RD	OTHER
TOTAL PROPERTIES = 79														
GRAND TOTALS	173,352,827	2,630	89,328	6,401,868	5,990,089	55,677,085	581,029	38,966,320	21,353,725	22,853,846	7,350,797	4,974,875	5,841,826	15,810,236
Average per year:	13,334,833	202	89,328	492,451	460,776	4,282,853	44,695	2,997,409	1,642,594	1,757,988	565,446	382,683	449,371	1,216,172
Unaudited - For Information Purposes Only				32.1%	0.3%	22.5%	12.3%	13.2%	4.2%	2.9%	3.4%	9.1%		

- (1) Includes commercial space
- (2) Linden equity from HVT only
- (3) Development costs do not include equity bridge interest



FRONT ROW (LEFT TO RIGHT)
 David Graves Accountant
 Rich Wickman Project Manager
 Kathleen Cannon Vice President, Finance
 Andrew Broderick President
 Nancy McGowan Project Manager

NOT PICTURED
 Tom Dillon Project Manager (through February 2001)
 Kim Moran Project Manager (through April 2001)

HOUSING VERMONT STAFF

BACK ROW (LEFT TO RIGHT)
 Kenneth Perine Chair, National Bank of Middlebury, Middlebury
 Nancy Eldridge Cathedral Square Corporation, Burlington
 Paul Costello Vermont Council on Rural Development, Montpelier
 Barbara Ternes Parks Place, Bellows Falls
 Thomas Thompson Secretary, Re/Max North, Colchester
 William Morlock Springfield Housing Authority, Springfield

BACK ROW (LEFT TO RIGHT)
 Sue Cobb Senior Project Manager
 Amy Dohner Project Manager
 Nancy Owens Vice President for Development
 Kenn Sassorossi Vice President for Program Development
 Karen Allen Development Coordinator

FRONT ROW (LEFT TO RIGHT)
 Chris Lee Senior Asset Manager
 Dot Bechard Office Manager
 Lynn Mansfield Senior Project Manager
 Eric Schmitt Asset Manager
 Mark Desrosiers Data Manager

HOUSING VERMONT BOARD OF DIRECTORS



FRONT ROW (LEFT TO RIGHT)
 Rita Markley Committee on Temporary Shelter, Burlington
 Stephen Pitkin Vice Chair, Construction Consultant, Albany (VT)
 Cynthia Borck Union Bank, Morrisville
 James Foster Assistant Treasurer, Edlund Company, Burlington

NOT PICTURED
 Robert Skiff Vermont Commons School, South Burlington (term expired September 2000)

ANDERSON PARKWAY

SOUTH BURLINGTON



Construction began in 2000 to build a very unique affordable housing development on Anderson Parkway in South Burlington. Located in an existing residential and commercial neighborhood, Anderson Parkway received strong community support to help meet the significant affordable housing deficit in Chittenden County. When completed, the project will consist of three components: 18 apartments for mixed income residents, two permanently affordable single family homes, and ten one-bedroom apartments in a congregate housing facility for very-low income adults with mobility impairments.



LOCATION:
Anderson Parkway

NUMBER OF UNITS: 18

GENERAL PARTNERS:
Lake Champlain Housing Ventures, Inc., H.V. 2000, Inc.

LIMITED PARTNER:
CDC-Asbany Corp., a division of Charter One Bank, Merchants Bank

FINANCING:
Vermont Housing & Conservation Board, Vermont Housing Finance Agency, Town of South Burlington through the Vermont Community Development Program, Merchants Bank, U.S. Department of Housing and Urban Development – HOME Program, Residential Energy Efficiency Program

ARCHITECT:
Duncan-Wisniewski Architecture

GENERAL CONTRACTOR:
J.A. Morrissey, Inc.

MANAGEMENT AGENT:
Lake Champlain Housing Ventures, Inc.

FRANKLIN CARRIAGE HOUSE

FRANKLIN



Faced with the problem of many elderly residents “aging in place” without sufficient existing services, community leaders of a small town in northwest Vermont joined with the owner of an elderly housing complex to find a solution. Franklin Carriage House is a new assisted living community that allows elderly residents in the town of Franklin to remain in their hometown while receiving the full range of services needed to promote a high quality of life.



LOCATION:
Homestead Drive

NUMBER OF UNITS: 18

GENERAL PARTNER:
H.V. 2000, Inc.

LIMITED PARTNER:
Franklin Lamoille Bank

FINANCING:
Vermont Housing & Conservation Board, Vermont Housing Finance Agency, Town of Franklin through the Vermont Community Development Program, East Franklin Cemetery Association, Franklin Homestead, Inc., Franklin Telephone Company, U.S. Department of Housing & Urban Development – HOME Program

ARCHITECT:
Morris Switzer & Associates, Inc.

GENERAL CONTRACTOR:
NECCO, Inc.

MANAGEMENT AGENT:
Franklin Homestead, Inc.

BUS BARN

BURLINGTON



Rehabilitation of one of the largest properties in Burlington's Old North End began in 2000. This project will transform the Vermont Transit Bus Barns site into 25 affordable apartments, program space for Good News Garage, and neighborhood commercial space. The development will have a tremendous impact on this community. Not only will the project create affordable housing, but a polluted industrial site is being cleaned up and replaced with an important community program and new commercial space.

LOCATION:
343 North Winooski Avenue

NUMBER OF UNITS: 25

GENERAL PARTNERS:
Burlington Community Land Trust, H.V. 2000, Inc.

LIMITED PARTNERS:
CDC-Asbany Corp., a division of Charter One Bank, Chittenden Bank, Merchants Bank

FINANCING:
City of Burlington through the Community Development Block Grant, Burlington Housing Trust Fund and the HOME Program, Neighborhood Reinvestment Corporation, Vermont Agency of Transportation – Enhancement Program, Vermont Housing & Conservation Board, Vermont Housing Finance Agency, State of Vermont, U.S. Department of Housing and Urban Development, Charter One Bank, Vermont Gas Systems, Burlington Electric Department, Champlain Valley Weatherization Program

ARCHITECT:
Scott & Partners Architects

GENERAL CONTRACTOR:
Neagley & Chase Construction Company

MANAGEMENT AGENT:
Burlington Community Land Trust

McAULEY SQUARE

BURLINGTON



After several years of planning, permitting, and negotiating with neighbors, construction on McAuley Square is underway. This innovative intergenerational housing development in Burlington will house seniors, pregnant teens, and community scholars on land formerly owned by the Sisters of Mercy. Developed by Cathedral Square Corporation and Housing Vermont, McAuley Square will create 74 apartments within an attractive family neighborhood.

LOCATIONS:
110, 125 and 140 Mansfield Avenue

NUMBER OF UNITS: 74

GENERAL PARTNERS:
McAuley Square, Inc., H.V. McAuley, Inc.

LIMITED PARTNERS:
Chittenden Bank, Howard Bank

FINANCING:
City of Burlington through the Burlington Housing Trust Fund and the HOME Program, Vermont Housing & Conservation Board, Vermont Housing Finance Agency, Federal Home Loan Bank through its Affordable Housing Program, Neighborhood Reinvestment Corporation, Fanny Allen Corporation Charity Fund, Sisters of Mercy, U.S. Department of Housing & Urban Development – McKinney Grant, Vermont Community Loan Fund, Vermont Gas Systems, Burlington Electric Department

ARCHITECTS:
Duncan-Wisniewski Architecture, Northern Architects

GENERAL CONTRACTOR:
Engelberth Construction, Inc.

MANAGEMENT AGENT:
Cathedral Square Corporation

HOUSING VERMONT AND SUBSIDIARIES
INDEPENDENT AUDITOR'S REPORT
 DECEMBER 31, 2000 AND 1999

TO THE BOARD OF DIRECTORS
HOUSING VERMONT AND SUBSIDIARIES
BURLINGTON, VERMONT

We have audited the accompanying consolidated statements of financial position of Housing Vermont and Subsidiaries (a nonprofit organization) as of December 31, 2000 and 1999, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of Housing Vermont's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of H.V. Linden Terrace, Inc., a wholly-owned subsidiary, which statements reflect total assets of \$830,954 and \$854,224 as of December 31, 2000 and 1999, respectively, and total revenues of \$187,625 and \$188,794, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for H.V. Linden Terrace, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

As more fully described in Note 1 to the financial statements, the organization has recorded certain investments in subsidiaries at cost. In our opinion, U.S. generally accepted accounting principles require that these investments be recorded under the consolidation or equity method. The effects on the consolidated financial statements of the preceding practice are not reasonably determinable.

In our opinion, except for the effects of recording certain investments at cost, as discussed in the preceding paragraph, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Vermont and Subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

R. M. Pevack & Company LLP

March 23, 2001
 (except for Note 12, as to which the date is June 25, 2001)
 Burlington, Vermont
 VT Reg. No 92-0000102

HOUSING VERMONT AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2000 AND 1999

	2000	1999
ASSETS		
Cash and cash equivalents	\$ 199,181	\$ 232,881
Due from affiliated entities	1,090,050	1,342,213
Prepaid expenses	45,348	18,254
Notes receivable from affiliated entities, net	1,002,314	2,211,002
Tenant accounts receivable	5,479	1,518
Deferred income taxes	<u>3,400</u>	<u>1,777</u>
Total current assets	2,345,772	3,807,645
Cash - Reserved	417,252	293,477
Property and equipment, net	3,667,433	819,698
Notes receivable from affiliated entities, net	266,573	101,017
Investment in predevelopment project costs	694,394	65,448
Construction in progress	2,062,149	-0-
Organization costs, net of accumulated amortization of \$2,085 in 2000 and 1999	28	28
Debt issuance costs, net of accumulated amortization of \$2,290 in 2000 and \$1,978 in 1999	5,509	5,821
Investment in subsidiaries, at cost	273,091	225,417
Escrowed tenant security deposits	8,792	8,415
Other deposits	<u>70</u>	<u>70</u>
	<u>\$ 9,741,063</u>	<u>\$ 5,327,036</u>

See accompanying notes.

HOUSING VERMONT AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2000 AND 1999

LIABILITIES AND NET ASSETS	2000	1999
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 344,570	\$ 132,628
Lines of credit	875,000	1,250,000
Current installments of long-term debt	<u>854,230</u>	<u>16,828</u>
Total current liabilities	2,073,800	1,399,456
Security deposits	48,249	7,811
Due to affiliates	162,613	164,527
Deferred income taxes	11,621	9,900
Line of credit	500,000	-0-
Long-term debt, excluding current installments	<u>4,255,034</u>	<u>1,158,510</u>
Total liabilities	7,051,317	2,740,204
Commitments and Contingencies		
NET ASSETS		
Unrestricted	<u>2,689,746</u>	<u>2,586,832</u>
	<u>\$ 9,741,063</u>	<u>\$ 5,327,036</u>

HOUSING VERMONT AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
Revenue		
Development fees	\$ 923,279	\$ 877,522
Asset management fees	177,980	166,618
Rental income	47,166	-0-
Membership fees	15,420	15,560
Interest income	153,773	147,732
Loss on sale of fixed assets	-0-	(2,546)
Other income	14,260	24,905
Net income from rental property (net of expense of \$187,231 in 2000 and \$178,422 in 1999)	<u>394</u>	<u>8,107</u>
Total revenues	<u>1,332,272</u>	<u>1,237,898</u>
Development Expenses		
Payroll and benefits	788,882	740,969
Management and general	144,287	150,586
Professional fees	26,336	29,377
Rent	72,352	65,602
Rental property expense	17,711	-0-
Depreciation and amortization	23,212	16,387
Interest	<u>156,578</u>	<u>63,614</u>
Total expenses	<u>1,229,358</u>	<u>1,066,535</u>
Change in net assets	<u>102,914</u>	<u>171,363</u>
Net assets at beginning of year,	<u>2,586,832</u>	<u>2,415,469</u>
Net assets at end of year	<u>\$ 2,689,746</u>	<u>\$ 2,586,832</u>

See accompanying notes.

HOUSING VERMONT AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 DECEMBER 31, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 102,914	\$ 171,363
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used) for) operating activities:		
Depreciation and amortization	43,498	36,090
Loss on sale of fixed assets	-0-	2,546
Deferred income taxes	98	2,015
(Increase) decrease in:		
Due from affiliated entities	252,163	(566,642)
Grant receivable	-0-	314,510
Prepaid expenses	(27,094)	6,921
Tenant accounts receivable	(3,961)	266
Escrowed tenant security deposits	(377)	(659)
Increase (decrease) in:		
Accounts payable and accrued expenses	211,942	(44,478)
Grant payable	-0-	(314,510)
Security deposits	40,438	55
Net cash provided (used) by operating activities	<u>619,621</u>	<u>(392,523)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in cash - restricted	(123,775)	(5,555)
Purchases of property and equipment	(2,890,921)	(53,077)
Decrease in notes receivable from affiliated entities	1,043,132	438,025
Decrease (increase) in investment in predevelopment project costs	(628,946)	275,090
Increase in investment in subsidiaries	(47,674)	(33,482)
Increase in construction in progress	(2,062,149)	-0-
Net cash provided (used) by investing activities	<u>(4,710,333)</u>	<u>621,001</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2000	1999
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(1,850,635)	(1,584,804)
Proceeds from issuance of long-term debt	5,784,561	1,360,000
Net proceeds from issuance of line of credits	125,000	-0-
Decrease in due to affiliate	(1,914)	(2,031)
Net cash provided (used) by financing activities	<u>4,057,012</u>	<u>(226,835)</u>
Net increase (decrease) in cash and cash equivalents	(\$ 33,700)	\$ 1,643
Cash and cash equivalents, beginning of year	<u>232,881</u>	<u>231,238</u>
Cash and cash equivalents, end of year	<u>\$ 199,181</u>	<u>\$ 232,881</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid	\$ 156,578	\$ 126,647
Income taxes	\$ 250	\$ 250

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Housing Vermont (the Organization) is a non-profit organization created by the Vermont Housing Finance Agency (VHFA) with the express purpose of developing affordable housing within the State of Vermont. The Organization is a membership corporation with two classes of members, sustaining members and regular members. VHFA is a sustaining member. All operating expenses are for the purpose of the Organization's program, which is to develop affordable housing.

The Organization, pursuant to a funding agreement (the Agreement) between itself and VHFA, received \$2,000,000 from VHFA over a three year period ending in 1990. The proceeds were used for investment in qualifying projects, operating purposes, and to cover annual deficits, if any, resulting from the Organization's operations. The terms of the Agreement permit VHFA to monitor each project for proper management and tax compliance until the later of the date all operating funds advanced, as defined, are repaid, or the date the economic life of all residential housing assisted in whole or in part with housing development funds or recycled funds, as defined, ceases.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting which recognizes income when earned and expenses when incurred.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Organization and its wholly-owned for profit subsidiary, H.V. Linden Terrace, Inc. All significant intercompany balances have been eliminated in consolidation.

RELATED PARTIES

The Organization has formed two wholly-owned subsidiaries, H.V. Generals Corp. and H.V. Investment Corp., to act as general partners in limited partnerships organized to develop and rent qualified low income buildings. H.V. Investment Corp., acts as a managing general partner in two limited partnerships, the Vermont Equity Fund I and the Vermont Equity Fund II. These limited partnerships were organized to make equity investments in developments sponsored by the Organization's affiliated entities. The Organization has a 16.67 percent investment in H.V. Archibald Street, Inc. which is a one percent general partner in one of the low income housing limited partnerships. The Organization along with two other non-profit organizations have formed Northern New Hampshire Housing Company and Northeastern Vermont Housing Company to provide low income housing to qualified tenants. Housing Vermont owns a 50 percent interest in each entity. The Organization has a 33 percent interest in Northern Community Management Corporation which provides management services to low income housing organizations. The Organization's investments in H.V. Archibald Street, Inc., H.V. Generals Corp., H.V. Investment Corp., Northern New Hampshire Housing Company, Northeastern Vermont Housing Company, and Northern Community Management Corporation are carried at cost. This is not in accordance with U.S. generally accepted accounting principles which requires certain of the above investments to be accounted for under the equity or consolidation method.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH EQUIVALENTS

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

DEBT ISSUANCE COSTS

Debt issuance costs consist of legal fees and are amortized over the lives of the H.V. Linden Terrace, Inc. mortgage loans using the straight-line method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. The organization generally capitalizes property and equipment with costs exceeding \$500 and with an estimated useful life in excess of one year.

INVESTMENT IN PREDEVELOPMENT PROJECT COSTS

Investment in predevelopment project costs consists of fees paid by the Organization for the benefit of projects for which the corresponding partnership entity has not yet been formed. It is the intent of the Organization that the amounts will be repaid to Housing Vermont once the partnerships are formed.

FEDERAL INCOME TAXES

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and has been recognized by the Internal Revenue Service as an organization exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. The Company is not a private foundation.

H.V. Linden Terrace, Inc. the Organization's wholly-owned subsidiary, is not exempt from Federal income taxes on its income and uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

USE OF ESTIMATES IN FINANCIAL STATEMENT PREPARATION

Management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

The collectibility of investment in predevelopment project costs is dependent upon the feasibility of the project and the formation of the related partnership. The collectibility of due from affiliates and notes receivable from affiliates is dependent on the financial success of the affiliated partnerships. It is at least reasonably possible that the collectibility of these amounts will change in the near term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

NOTE 2. RELATED PARTY TRANSACTIONS

The Organization earned development fees in the amount of \$923,279 and \$877,522 during the years ended December 31, 2000 and 1999, respectively. The fees consist of services provided to affiliated limited partnerships in preparing development and financial plans for the construction of housing units owned by these limited partnerships. The Organization also earned asset management fees of \$177,980 and \$166,618 during the years ended December 31, 2000 and 1999, respectively. These fees consist of financial services provided to the limited partnerships.

The Organization has incurred reimbursable housing development costs incident to the operation of certain limited partnerships. The balance due to the Organization on these unsecured advances amounted to \$1,090,050 and \$1,342,213 at December 31, 2000 and 1999, respectively.

The Organization, in exchange for notes receivable, advanced funds to affiliated limited partnerships. The sums advanced were used in connection with the construction and rehabilitation of certain approved housing projects. At December 31, 2000 and 1999 the notes receivable, net of the allowance, totaling \$1,002,314 and \$2,211,002, respectively, are unsecured and bear interest at rates ranging from 4.5 percent to 8.5 percent. The notes receivable are due on demand. An allowance of \$14,264 for 2000 and 1999 has been recorded to reflect amounts management estimates to be uncollectible.

In addition, the Organization, in exchange for interest and non-interest bearing notes receivable, paid certain development operating costs on behalf of affiliated limited partnerships. The non-interest bearing notes receivable have a face amount of \$197,516 at December 31, 2000 and 1999, respectively, that has been discounted to present value at an imputed interest rate of 6.0 percent over 5, 8 or 15 years. At December 31, 2000 and 1999, the present value of the notes, net of the allowance, amounted to \$105,118 and \$101,017, respectively. Interest bearing notes receivable amounted to \$161,455 and \$-0- at December 31, 2000 and 1999. An allowance of \$13,737 for 2000 and 1999 has been recorded to reflect amounts management estimates to be uncollectible. The notes are payable from surplus cash of the affiliated limited partnerships, or, if not sooner paid, are due when the property is sold.

The Organization is holding in escrow funds received from Northgate Housing Limited Partnership, to provide for payment of future development fees to the general partners providing there is no recapture of the low income housing tax credits. At December 31, 2000 and 1999 the cash reserved and related obligation totaled \$162,613 and \$164,527, respectively.

NOTE 3. CASH - RESERVED

The following cash deposits have been reserved:

Reserve for replacements: Reserve for replacements account represents cash that is reserved for replacement of property and equipment at H.V. Linden Terrace, Inc. and Westgate Apartments. Written authorization by VHFA is required for disbursements from the account.

Development escrow reserve: Development escrow reserve account represents cash that is reserved for future building rehabilitation and development costs.

Sinking fund escrow reserve: Sinking fund escrow reserve represents cash that is reserved for future operating deficits in St. Johnsbury Housing Limited Partnership and Caledonia Housing Partnership.

Tenant security deposit reserve: Tenant security deposit reserve represents cash that is reserved to refund tenant security deposits.

NOTE 3. CASH - RESERVED (CONTINUED)

Cash - Reserved consists of the following at December 31, 2000 and 1999:

	2000	1999
Reserve for replacement	\$ 153,084	\$ 70,650
Development escrow reserve	162,613	164,527
Sinking fund escrow reserve	61,558	58,300
Tenant security deposit reserve	<u>39,997</u>	<u>-0-</u>
	<u>\$ 417,252</u>	<u>\$ 293,477</u>

NOTE 4. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2000 and 1999 is as follows:

	2000	1999
Land	\$ 1,284,869	\$ 136,800
Building and improvements	2,422,798	692,549
Furniture and equipment	<u>169,291</u>	<u>156,688</u>
	3,876,958	986,037
Less accumulated depreciation	<u>209,525</u>	<u>166,339</u>
Net property and equipment	<u>\$ 3,667,433</u>	<u>\$ 819,698</u>

Depreciation expense for the years ended December 31, 2000 and 1999 was \$43,498 and \$36,090, respectively.

NOTE 5. LINES OF CREDIT

Lines of credit at December 31, 2000 and 1999 consists of the following:

	2000	1999
Line of credit - Howard Bank, in the amount of \$1,000,000, interest at 9.5%, due December 2001, secured by accounts receivable and notes receivable	\$ 875,000	\$ 250,000
Line of credit - Vermont Housing Finance Agency (VHFA), in the amount of \$1,500,000, interest at 8.52%, due December 2002, secured by title, right, and interest in all affiliated partnerships	<u>500,000</u>	<u>1,000,000</u>
	1,375,000	1,250,000
Less current installments	<u>875,000</u>	<u>1,250,000</u>
	<u>\$ 500,000</u>	<u>\$ -0-</u>

Interest expense on the lines of credit was \$125,389 and \$59,523 for the years ended December 31, 2000 and 1999, respectively.

Maturities of lines of credit for the next two years and thereafter are as follows:

2001	\$ 875,000
2002	500,000
Thereafter	<u>-0-</u>
	<u>\$ 1,375,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 6. LONG-TERM DEBT

Long-term debt at December 31, 2000 and 1999 consists of the following:

	2000	1999
Note payable - Vermont Housing Finance Agency (VHFA), interest at 7.7%, due October 2018, secured by land, buildings and all equipment and fixtures associated with H.V. Linden Terrace, Inc.	\$ 418,866	\$ 429,427
Note payable - Vermont Housing Finance Agency (VHFA), interest at 8.25%, due October 2018, secured by land, buildings and all equipment and fixtures associated with H.V. Linden Terrace, Inc.	264,644	270,911
Note payable - Chittenden Bank, in the amount of \$570,000, interest at 8.00%, due June 2001, secured by assignment of equity contribution commitments	-0-	475,000
Note payable - Vermont Housing Finance Agency (VHFA), interest at 0.0%, due December 2025, secured by real estate	887,887	-0-
Note payable - Vermont Housing Finance Agency (VHFA), interest at 7.5%, due December 2030, secured by real estate	850,000	-0-
Note payable - Vermont Housing Finance Agency (VHFA), in the amount of \$703,758, interest at 7.0%, due December 2012, secured by real estate	458,028	-0-
Note payable - City of Burlington, in the amount of \$150,000, interest at 7.0%, due September 2030, secured by real estate	75,000	-0-
Note payable - Cathedral Square Corporation, in the amount of \$18,965, interest at 7.0%, due September 2030, secured by real estate	5,284	-0-
Note payable - Vermont Housing and Conservation Board, interest at 4.25%, due September 2030, secured by real estate	78,762	-0-
Note payable - Vermont Housing and Conservation Board, in the amount of \$651,238, interest at 4.25%, due September 2030, secured by real estate	511,701	-0-
Note payable - Vermont Housing Finance Agency (VHFA), in the amount of \$1,250,000, interest at 5.5%, due December 2001, secured by real estate	772,268	-0-

NOTE 6. LONG-TERM DEBT (CONTINUED)

	2000	1999
Note payable - Cathedral Square Corporation, in the amount of \$348,035, interest at 7.0%, due September 2030, secured by real estate	107,948	-0-
Note payable - Cathedral Square Corporation, interest at 0.0%, due September 2030, secured by real estate	136,500	-0-
Note payable - Vermont Housing Finance Agency (VHFA), in the amount of \$510,320, interest at 0.0%, due September 2030, secured by real estate	343,280	-0-
Note payable - Sisters of Mercy of the Dioceses of Burlington, Vermont, Inc. interest at 8.0%, due on demand one year after satisfaction of occupancy requirements, secured by real estate	149,096	-0-
Note payable - Cathedral Square Corporation, interest at 2.75%, due September 2011, secured by real estate	\$ 50,000	\$ -0-
	5,109,264	1,175,338
Less current installments	854,230	16,828
	<u>\$ 4,255,034</u>	<u>\$ 1,158,510</u>

Maturities of long-term debt for the next five years and thereafter are as follows:

Year ending December 31,	
2001	\$ 854,230
2002	237,862
2003	95,419
2004	102,573
2005	110,264
Thereafter	<u>3,708,916</u>
	<u>\$ 5,109,264</u>

Interest expense on the notes payable was \$85,908 and \$60,071 for the years ended December 31, 2000 and 1999, respectively.

At December 31, 2000, the Organization has available the following notes to be drawn upon as needed:

Promissory note - Vermont Housing and Conservation Board, interest at 7.0%, expiring December 2030	\$ 750,000
Promissory note - Vermont Housing and Conservation Board, interest at 0.0%, expiring December 2030	1,500,000
Promissory note - Vermont Housing and Conservation Board, interest at 7.0%, expiring December 2030	320,000
Promissory note - Vermont Housing Finance Agency, interest at 4.0%, expiring December 2001	<u>2,850,000</u>
	<u>\$ 5,420,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 7. LEASES

The Organization leases office and parking space under ten-year operating leases with an affiliated limited partnership expiring February 2009 and December 2009. Future minimum payments under the operating leases in the aggregate are as follows:

	Building	Parking
2001	\$ 66,452	\$ 8,580
2002	66,452	8,580
2003	66,452	8,580
2004	66,452	8,580
2005	66,452	8,580
Thereafter	<u>210,431</u>	<u>34,320</u>
	<u>\$ 542,691</u>	<u>\$ 77,220</u>

Rent expense for the years ended December 31, 2000 and 1999 was \$77,282 and \$65,602, respectively.

NOTE 8. PENSION PLAN

The Organization has established a defined contribution pension plan that covers eligible employees with six months of service. Contributions are determined annually by management and are allocated to employees based on compensation. Contributions in 2000 and 1999 amounted to \$32,442 and \$29,139, respectively.

NOTE 9. COMMITMENTS AND CONTINGENCIES

At December 31, 2000 the Organization and two other parties are jointly and severally liable for \$141,921 in a loan to Northern Community Investment Corporation.

The Organization has guaranteed three note payables from affiliated partnerships in the amount of \$1,065,295.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of December 31, 2000 the Organization estimates that no material liabilities will result from such audits.

NOTE 10. INCOME TAXES RELATING TO H.V. LINDEN TERRACE, INC.

The provision for income taxes for the years ended December 31, 2000 and 1999 consists of the following:

	2000	1999
Federal:		
Current	\$ -0-	\$ -0-
Deferred	<u>98</u>	<u>2,015</u>
	<u>98</u>	<u>2,015</u>
State:		
Current	\$ 250	\$ 250
Deferred	<u>-0-</u>	<u>-0-</u>
	<u>250</u>	<u>250</u>
Provision for income taxes	<u>\$ 348</u>	<u>\$ 2,265</u>

Deferred income tax provisions arise from the differences in accounting for depreciation for book and tax purposes and net operating loss carryforwards. The tax effect of these temporary timing differences created the deferred tax asset and liability and the deferred expense of \$98 and \$2,015 for the years ended December 31, 2000 and 1999, respectively.

The following net operating loss carryforwards are available to offset future taxable income of the corporation.

Expiration Date	Amount
January 1, 2013	\$ 6,638
January 1, 2019	2,249
January 1, 2021	<u>8,111</u>
	<u>\$ 16,998</u>

NOTE 11. CONCENTRATION OF RISK

Housing Vermont develops affordable housing within the State of Vermont. A substantial portion of the affiliates' ability to honor their accounts and notes receivable may be dependent upon the general economic climate within Vermont. The Organization does not require collateral on its accounts and notes receivable.

The Organization maintains cash balances at various banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At certain times during the year ended December 31, 2000, cash balances exceeded \$100,000.

NOTE 12. SUBSEQUENT EVENT

Subsequent to year end, certain assets and liabilities related to projects owned by the Organization were transferred to affiliated partnerships.