MADE IN VERMONT

HOUSING VERMONT Annual Report 2003

Branchwood Apartments  Randolph, Vermont  12 new residential apartments

Noonan House  Shelburne, Vermont  1 commercial space & 2 residential apartments

Waterfront Housing  Burlington, Vermont  40 new residential apartments
This reputation grows from the value Vermonters bring to what they do. Housing Vermont comfortably carries the “Made in Vermont” stamp. The affordable housing we create with our investor, nonprofit, and public partners is of the highest quality and will continue to house Vermonters through the 21st century. But Housing Vermont’s link to the economic vitality of the State goes deeper even than these shared values. Vermont businesses need affordable, attractive places for employees – from entry level to executive staff – to live. For the “Made in Vermont” label to continue to mean what it does, the workers who create that value need safe, decent, and affordable homes for their families. And the profound scarcity of such housing has driven up costs leaving Vermonters with less money available to buy shoes for their kids, pay for their medications, or put gas in their car so they can get to work. The quality in our products begins with the quality created in our homes.

In this report, by acknowledging what we have accomplished with our partners, we also recognize the task ahead. We must redouble our efforts to create sufficient affordable, well-designed housing so that seniors, struggling families and workers can continue to create the quality that has become synonymous with life in Vermont as well as products from Vermont.
Possibility. Housing Vermont and our partners embrace possibility. It is this response that makes our work unique, our jobs both difficult and rewarding. It results in artists in Styrofoam in Bennington, a broom downtown in Bellows Falls, single mothers living in the Hill Section of Burlington, frail elders able to stay in Franklin, blighted neighborhoods renewed in St. Albans, and on and on. Our essential ethic is a unique mixture of this commitment to the possible with experienced construction management, sophisticated financing, and rigorous accounting and asset management.

As we look back on the year, we are struck by how much we and our partners have accomplished. The year’s deals included new construction projects in Burlington’s Old North End and on the waterfront, in downtown Randolph, Grand Isle, and Old North End and on the waterfront, in downtown Randolph, Grand Isle, and Old North End and on the waterfront, in downtown Randolph, Grand Isle, and Old North End and on the waterfront, in downtown Randolph, Grand Isle, and Old North End and on the waterfront, in downtown Randolph, Grand Isle, and Old North End and on the waterfront.

In community, the properties’ myriad tax returns and audits were compiled, carefully reviewed, and moved out to investors. Asset managers probed and prodded the portfolio, analyzed and re-analyzed, assuring that the work we have completed is well managed and protected, but also making sure that we have learned from what we have done. Recognizing that good governance can always be made better, the Board of Directors established an independent audit committee to further assure the quality of our accounting. And of course we celebrated our 15th anniversary at Shelburne Farms. It was a wonderful tribute to where we have come from, and the strong foundation that sustains our work.

Yet, the challenge of all this possibility is that so much that could and should be done must be left undone. There are more strong projects, smart restructurings, and structural community work than we or our partners can get done in a year. But the “ undone” from one year, joined with new opportunities, becomes the work plan for the next. 2003 was a busy, challenging, and good year for that work. Burlington, our board, staff, and partners all worked very hard to turn “ possibility” into homes. We had many successes.

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And that’s just development. We did a lot more than just projects this past year. Thanks to the support of the development and the emergence of new investment partners, the Green Mountain Housing Equity Fund went from an idea to reality, giving us a substantial new financing tool to use with our development partners. In accounting, the properties’ myriad tax returns and audits were compiled, carefully reviewed, and moved out to investors. Asset managers probed and prodded the portfolio, analyzed and re-analyzed, assuring that the work we have completed is well managed and protected, but also making sure that we have learned from what we have done. Recognizing that good governance can always be made better, the Board of Directors established an independent audit committee to further assure the quality of our accounting. And of course we celebrated our 15th anniversary at Shelburne Farms. It was a wonderful tribute to where we have come from, and the strong foundation that sustains our work.

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**HIGHGATE Apartments – BARRE**

**LOCATION:** 73 Highgate Drive  
**NUMBER OF UNITS:** 120 residential

**GENERAL PARTNERS:**  
H.V. Highgate, Inc.  
Highgate Non-Profit, Inc.

**LIMITED PARTNERS:**  
Chittenden Bank  
Community National Bank  
Merchants Bank  
Northfield Savings Bank  
Banknorth, N.A.

**FINANCING:**  
City of Barre through the Vermont Community Development Program  
Vermont Housing & Conservation Board  
Efficiency Vermont  
U.S. Department of Housing & Urban Development – HOME Program  
Vermont Community Loan Fund

**ARCHITECT:**  
Williams & Frehane, Inc.

**GENERAL CONTRACTOR:**  
DG Morin Construction Co.

**MANAGEMENT AGENT:**  
Lake Champlain Housing Ventures

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**MOUNTAINVIEW Apartments – ST. JOHNSBURY**

**LOCATION:** Mountain View Drive  
**NUMBER OF UNITS:** 48 residential

**GENERAL PARTNERS:**  
Pemacott Savings Bank  
Urban Bank

**LIMITED PARTNERS:**  
Passumpsic Savings Bank  
Union Bank

**FINANCING:**  
Town of St. Johnsbury through the Vermont Community Development Program  
Rural Housing Service – U.S. Department of Agriculture

**ARCHITECT:**  
Black River Design

**GENERAL CONTRACTOR:**  
Ruggco, Inc.

**MANAGEMENT AGENT:**  
Northern Community Management Corporation

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**GRAND ISLE Housing**

**LOCATION:** Isle Lane  
**NUMBER OF UNITS:** 36 residential

**GENERAL PARTNERS:**  
Lake Champlain Housing Ventures, Inc.  
H.V. 2003, Inc.

**LIMITED PARTNERS:**  
Grand Mountain Housing Equity Fund 2003

**FINANCING:**  
Merchants Bank  
Vermont Housing & Conservation Board  
Efficiency Vermont

**ARCHITECT:**  
Ylian Alfaro Snyder & Associates

**GENERAL CONTRACTOR:**  
DEW Construction Corp.

**MANAGEMENT AGENT:**  
Lake Champlain Housing Ventures

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**SHELBOURNE FAMILY HOUSING – SHELBOURNE**

**LOCATION:** Noonan House, 5404 Shelburne Road  
**NUMBER OF UNITS:** 20 residential, 1 commercial

**GENERAL PARTNERS:**  
Lake Champlain Housing Ventures, Inc.

**LIMITED PARTNER:**  
Green Mountain Housing Equity Fund 2003

**FINANCING:**  
Vermont Housing & Conservation Board  
Vermont Housing Finance Agency

**ARCHITECT:**  
Duncan-Wisniewski Architecture

**GENERAL CONTRACTOR:**  
DO Minarin Construction - Noonan House  
Stewart Construction, Inc. - Dockert Lane

**MANAGEMENT AGENT:**  
Lake Champlain Housing Ventures
SMALLEST CITY - VERGENNES

LOCATION: 1 Wall Street
NUMBER OF UNITS: 13 residential
GENERAL PARTNERS: Rockingham Area Community Land Trust
H.V. 2002, Inc.
LIMITED PARTNER: Mascoma Savings Bank

FINANCING:
- Rural Housing Service - U.S. Department of Agriculture
- Vermont Housing Finance Agency
- U.S. Department of Housing & Urban Development - HOME and EDI Programs
- Efficiency Vermont

ARCHITECT: Williams & Frehsee, Inc.
GENERAL CONTRACTOR: Wesfield Construction Company, Inc.
MANAGEMENT AGENT: Northern Community Management Corporation

FINANCING (continued):
- Vermont Housing Finance Agency
- Efficiency Vermont
- Neighborhood Reinvestment Corporation
- Efficiency Vermont

WATERFRONT HOUSING - BURLINGTON

LOCATION: 300 Lake Street
NUMBER OF UNITS: 40 residential
GENERAL PARTNER: BGLT Depot, Inc.
H.V. Waterfront, Inc.
LIMITED PARTNER: Apollo Housing Capital, LLC

FINANCING:
- City of Burlington through the Burlington Housing Trust Fund and the HOME Program
- Merchants Bank
- Vermont Housing & Conservation Board
- U.S. Department of Housing & Urban Development - HOME and EDI Programs
- Neighborhood Reinvestment Corporation

ARCHITECT: Gossens Bachman Architects, Inc.
GENERAL CONTRACTOR: Wright & Morrissey, Inc.
MANAGEMENT AGENT: Burlington Community Land Trust

WALL STREET - SPRINGFIELD

LOCATION: 3 Wall Street
NUMBER OF UNITS: 13 residential
GENERAL PARTNERS: Rockingham Area Community Land Trust
H.V. 2002, Inc.
LIMITED PARTNER: Mascoma Savings Bank

FINANCING:
- Rural Housing Service - U.S. Department of Agriculture
- U.S. Department of Housing & Urban Development - HOME Program
- Neighborhood Reinvestment Corporation
- Efficiency Vermont

ARCHITECT: Scott & Partners Architects
GENERAL CONTRACTOR: Stewart Construction, Inc.
MANAGEMENT AGENT: Addison County Community Action Group

FINANCING (continued):
- Vermont Housing Finance Agency
- Efficiency Vermont
- Neighborhood Reinvestment Corporation
- Efficiency Vermont

WHITCOMB WOODS - ESSEX JUNCTION

LOCATION: 128 West Street
NUMBER OF UNITS: 64 residential
GENERAL PARTNERS: CSC Partners, Inc.
H.V. 2002, Inc.
LIMITED PARTNER: Merchants Bank

FINANCING:
- Federal Home Loan Bank through its Affordable Housing Program
- Vermont Housing & Conservation Board
- Vermont Housing Finance Agency
- U.S. Department of Housing & Urban Development - HOME and EDI Programs
- Efficiency Vermont

MECHANICAL ENGINEER: Bonham Associates
GENERAL CONTRACTOR: Lakeside Construction Inc.
MANAGEMENT AGENT: Cathedral Square Corporation
### Housing Vermont Developments 1988-2003

#### Northgate Apartments
- Project (by year acquired): [Year, Location]
- Number: [Number]
- Total Cost (Per LHITC): [Cost]
- Per LIHTC Historic: [Per]

#### Pine Meadows
- 2003-2005
- Project (by year acquired): [Year, Location]
- Number: [Number]
- Total Cost (Per LHITC): [Cost]
- Per LIHTC Historic: [Per]

#### Project Loans and Grants
- Partners' Equity Loans and Grants: [Year, Source]
- 2000-2003

#### Housing Vermont Developments
- 1988-2003
- 2010s
- 2020s
-管理公司 (NCMC) 管理超过800单元的
- 2011-2020:

#### Summary
- 2010s
- 2020s
- 2011-2020:

### Data
- 2010s
- 2020s
- 2011-2020:

### Partnerships
- NCC Portfolio
- Housing Vermont Developments 1988-2003
- Annual Production and Sources of Funds
- NCC Acquisition sub-tenants
- 2010s

### Additional Notes
- The spreadsheet includes NCC's interests in five properties that had been developed with Housing Vermont's assistance, which have subsequently been sold or replaced.

### Real Estate Development
- Housing Vermont Developments 1988-2003
- Annual Production and Sources of Funds
- NCC Acquisition sub-tenants
- 2010s

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### References
- Housing Vermont Developments 1988-2003
- Annual Production and Sources of Funds
- NCC Acquisition sub-tenants
- 2010s

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### Housing Vermont Developments 1988-2003

#### Annual Production and Sources of Funds

<table>
<thead>
<tr>
<th>Property (year acquired)</th>
<th>Total of Units</th>
<th>Cost Per Unit</th>
<th>HUD</th>
<th>VHCB</th>
<th>CDBG</th>
<th>RD</th>
<th>Other</th>
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<td>2008</td>
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#### Tax Credit Properties (Excl. incl. Acquisition, Linda Terrace)

<table>
<thead>
<tr>
<th>Gr and Lot</th>
<th>Par</th>
<th>2003</th>
<th>4,365,875</th>
<th>7,999,200</th>
<th>3,575,016</th>
<th>7,450,000</th>
<th>11,995,000</th>
<th>15,820,000</th>
<th>25,280,000</th>
<th>29,320,000</th>
<th>33,755,000</th>
<th>15,820,000</th>
<th>15,820,000</th>
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<td>112-141</td>
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</table>

**Note:**
- **Unaudited:** Information provided.
- **Use of Funds:** Includes commercial space.
- **Acquisitions:** Only real estate transfers.
- **Development Costs:** Not included. Includes bridge interest.
Housing Vermont Board of Directors

Stephen Priche, Chair
Construction Consultant, Albany (VT)

Thomas Thompson, Vice Chair
ReMax North, Coosfield

Kenneth Perine, Assistant Treasurer
National Bank of Middlebury, Middletown

Barbara Grimes, Secretary
Burlington Electric Department, Burlington

Cynthia Bock
Union Bank, Morrisville

Paul Costello
Vermont Council on Rural Development, Montpelier

Gloria Dawson
Southwestern Vermont Community Action Agency, Waldoon

Chip Hart
Affordable Housing, Burlington

Mary Haughton
Burlington Community Land Trust, Burlington

Rita Manley
Committee on Temporary Shelter, Burlington

William M. Price
Springfield Housing Authority, Springfield

Housing Vermont Staff

Andrew Boudrias, President
Karen Allen, Development Coordinator
Dot Bechard, Office Manager

Kathleen Cannon, Vice President, Finance
Sue Cobb, Senior Project Manger

Amy Dohner, Project Manager
David Graves, Accountant
Erik Hokestra, Assistant Project Manager
Martha Keenan, Controller

Sources of Funds

Bank 3.87%
Other 7.31%
VHFA 18.63%

Housing Vermont
Board of Directors

Chittenden

Equity 37.3%
VHCB 14.42%
HUD 10.56%

Housing Vermont
Staff

Andrew Boudrias, President
Karen Allen, Development Coordinator
Dot Bechard, Office Manager

Kathleen Cannon, Vice President, Finance
Sue Cobb, Senior Project Manger

Amy Dohner, Project Manager
David Graves, Accountant
Erik Hokestra, Assistant Project Manager
Martha Keenan, Controller

Martha Keenan, Asset Manager
Chris Lee, Senior Asset Manager
Karen Allen, Project Manager

Lynn Manfield, Senior Project Manager
Nancy Owens, Vice President for Development

Kenn Sassorossi, Vice President for Program Development
Eric Schmitt, Asset Manager

Rich Wickman, Project Manager

Portfolio Tax Benefits

Projected Actual

2000 $10,000,000 $9,888,000
2001 $8,000,000 $8,000,000
2002 $6,000,000 $6,000,000
2003 $4,000,000 $4,000,000
2004 $2,000,000 $2,000,000
2005 $0 $0

Housing Created Through 2002

Cumulative Housing Created in 2003

Total New Hampshire

162

1990

1991

1992

1993

1994

1995

1996

1997

1998

1999

2000

2001

2002

2003

13

12
We have audited the accompanying consolidated financial statements of Housing Vermont and Subsidiaries (a non-profit organization) as of December 31, 2003 and 2002, 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 $735,846 and $755,630 as of December 31, 2003 and 2002, respectively, and total revenues of $209,644 and $212,683 as of December 31, 2003 and 2002, respectively, and total revenues of $19,200 and $17,030 for the years then ended. These consolidated financial statements have 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 generally accepted auditing standards. 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.

In our opinion, except for the effects of 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 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.

Our audits of the accompanying financial statements of Housing Vermont and Subsidiaries as of December 31, 2003 and 2002, and the results of operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

H.V. Linden Terrace, Inc.
Burlington, Vermont

April 30, 2004, except for Note 7, to which the date is May 1, 2004
Colchester, Vermont
VT Reg. No. 92-000102

Consolidated Statements of Financial Position
December 31, 2003 and 2002

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$158,970</td>
<td>$148,559</td>
</tr>
<tr>
<td>Due from affiliated entities</td>
<td>1,955,429</td>
<td>1,946,600</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>30,906</td>
<td>32,818</td>
</tr>
<tr>
<td>Notes receivable from affiliated entities, net</td>
<td>1,205,234</td>
<td>3,628,227</td>
</tr>
<tr>
<td>Tenant accounts receivable</td>
<td>61</td>
<td>3,516</td>
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<tr>
<td>Total current assets</td>
<td>5,471,150</td>
<td>5,309,366</td>
</tr>
<tr>
<td>Cash - Reserved</td>
<td>84,994</td>
<td>93,163</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>741,061</td>
<td>776,871</td>
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<tr>
<td>Notes receivable from affiliated entities, net</td>
<td>465,818</td>
<td>517,127</td>
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<tr>
<td>Investment in predevelopment project costs</td>
<td>326,201</td>
<td>274,801</td>
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<tr>
<td>Investment in subsidiaries, at cost</td>
<td>469,862</td>
<td>387,112</td>
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<tr>
<td>Other assets</td>
<td>11,357</td>
<td>14,095</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>$7,604,943</strong></td>
<td><strong>$7,372,535</strong></td>
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See accompanying notes.

Consolidated Statements of Activities
December 31, 2003 and 2002

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$132,803</td>
<td>$30,636</td>
</tr>
<tr>
<td>Lines of credit</td>
<td>3,499,660</td>
<td>3,454,661</td>
</tr>
<tr>
<td>Current installments of long-term debt</td>
<td>22,064</td>
<td>21,236</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>3,657,527</td>
<td>3,546,613</td>
</tr>
<tr>
<td>Security deposits</td>
<td>8,535</td>
<td>8,427</td>
</tr>
<tr>
<td>Deferred incomes taxes</td>
<td>9,378</td>
<td>27,568</td>
</tr>
<tr>
<td>Long-term debt, excluding current installments</td>
<td>603,221</td>
<td>664,285</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>4,274,641</strong></td>
<td><strong>4,226,873</strong></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>184,400</td>
<td>327,121</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>3,145,662</td>
<td>2,818,541</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td><strong>3,330,302</strong></td>
<td><strong>3,145,662</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.

Consolidated Statements of Financial Position
December 31, 2003 and 2002

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>1,209,693</td>
<td>1,026,360</td>
</tr>
<tr>
<td>Mangement and general</td>
<td>151,872</td>
<td>150,305</td>
</tr>
<tr>
<td>Professional fees</td>
<td>30,708</td>
<td>36,000</td>
</tr>
<tr>
<td>Office rent and cleaning</td>
<td>88,413</td>
<td>82,101</td>
</tr>
<tr>
<td>Rental property expense</td>
<td>196,210</td>
<td>196,065</td>
</tr>
<tr>
<td>Depreciation</td>
<td>26,634</td>
<td>25,868</td>
</tr>
<tr>
<td>Interest</td>
<td>142,578</td>
<td>105,134</td>
</tr>
<tr>
<td>Security deposits</td>
<td>8,535</td>
<td>8,427</td>
</tr>
<tr>
<td>Deferred incomes taxes</td>
<td>9,378</td>
<td>27,568</td>
</tr>
<tr>
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<td>664,285</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>4,274,641</strong></td>
<td><strong>4,226,873</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.

Consolidated Statements of Activities
December 31, 2003 and 2002

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset management fees</td>
<td>330,305</td>
<td>264,152</td>
</tr>
<tr>
<td>Development fees</td>
<td>1,317,777</td>
<td>1,305,636</td>
</tr>
<tr>
<td>Lines of credit</td>
<td>3,499,660</td>
<td>3,454,661</td>
</tr>
<tr>
<td>Current installments of long-term debt</td>
<td>22,064</td>
<td>21,236</td>
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<tr>
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<td>3,546,613</td>
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<td>327,121</td>
</tr>
<tr>
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<td>2,818,541</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td><strong>3,330,302</strong></td>
<td><strong>3,145,662</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.
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.

## CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Net (Increase) in Cash and Cash Equivalents</th>
<th>Beginning of Year</th>
<th>End of Year</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$184,640</td>
<td>$558,970</td>
<td>$148,559</td>
<td>$327,121</td>
</tr>
<tr>
<td>2002</td>
<td>$186,652</td>
<td>$148,559</td>
<td>$558,970</td>
<td>$138,413</td>
</tr>
</tbody>
</table>

### Notation of Significant Accounting Policies

- **Basis of accounting**: The Organization uses the accrual method of accounting. Under this method, income is recognized when earned and expenses when incurred.

- **Nature of operations**: The Organization, along with two other non-profit organizations, has formed 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 Vermont Equity Fund. Inc. formed Green Mountain Housing Equity Fund 2003 Limited Partnership which provides management services to low income housing organizations.

- **Investment in predevelopment project costs**: Consists of fees paid by the Organization for the benefit of projects for which the corresponding partnership entities have not yet been formed. It is the intent of the Organization that the amounts will be repaid to Housing Vermont once the partnerships are formalized.

- **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 capitalizes property and equipment with costs exceeding $50,000 with an estimated useful life of 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 entities have not yet been formed. It is the intent of the Organization that the amounts will be repaid to Housing Vermont once the partnerships are formalized.

- **Federal income taxes**: The Organization is a non-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 Federal income tax returns. The Organization’s federal income tax returns are on an accrual basis as permitted by the method of accounting for income taxes.

- **Under the asset and liability method**: 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**: Deferred tax assets and liabilities are measured at the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled.

- **Deferred income taxes**: Deferred income taxes consist of the effect of temporary differences between the carrying amounts of assets and liabilities for financial statement and income tax reporting purposes.
Note 2. Related Party Transactions

The collectibility of investments in predevelopment project costs is dependent upon the feasibility of the project and the formation of the related partnership. The collectibility of dues 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.

Note 3. Cash - Reserves

The Organization earned development fees in the amount of $1,257,777 and $1,935,836 during the years ended December 31, 2003 and 2002, respectively. These fees consist of financial services provided to the affiliated partnerships. The Organization also earned asset management fees of $330,305 and $264,152 during the years ended December 31, 2003 and 2002, respectively. These fees are payable upon the feasibility of the project and the formation of the related partnership. The non-interest bearing notes receivable have a face amount of $347,512 and $353,124 at December 31, 2003 and 2002, respectively. An allowance of $55,047 for 2003 and 2002 has been recorded to reflect the probability of the collectibility of these amounts. The notes are payable on demand. An allowance of $4,693 for 2003 and 2002 has been recorded to reflect the probability of the collectibility of the interest receivable.

There is some uncertainty as to the collectibility of the notes receivable from affiliates. This uncertainty arises from the nature of the related party relationships, the existing financial difficulties of several affiliates, and the fact that the Organization does not have security on these notes. An allowance has been recorded as management estimates all amounts will be collected in the near term.

Note 4. Property and Equipment

The effect on deferred tax assets and liabilities of a change in tax rates is as follows:

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>741,061</td>
<td>776,871</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended December 31, 2003 and 2002 was $47,964 and $47,040, respectively.

Note 5. Lines of Credit

The Organization earned development fees in the amount of $1,317,777 and $1,257,777, respectively, for the years ended December 31, 2003 and 2002, respectively. These fees consist of financial services provided to the affiliated partnerships. The collectibility of these amounts is dependent upon the feasibility of the project and the formation of the related partnership. The collectibility of dues 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.

Note 6. Long-term Debt

The maturity of long-term debt as to due dates for the next five years and thereafter is as follows:

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003/2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less current installments</td>
<td>23,064</td>
<td>23,064</td>
<td>23,064</td>
<td>23,064</td>
<td>23,064</td>
<td>23,064</td>
</tr>
</tbody>
</table>

Interest expense on the notes payable was $50,202 and $51,830 for the years ended December 31, 2003 and 2002, respectively. The interest expense has been included in rental property expenses on the income statement.
Note 7. Leases

The Organization leases office and parking space under non-cancelable operating leases with an affiliated limited partnership expiring February 2009 and December 2009, respectively. Additional space was added in January 2004, expiring in June 2004, and space was added again in May 2004 for the remainder of the lease. Future minimum payments under the operating leases in the aggregate are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Building</th>
<th>Parking</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$94,520</td>
<td>$8,580</td>
</tr>
<tr>
<td>2005</td>
<td>92,383</td>
<td>8,580</td>
</tr>
<tr>
<td>2006</td>
<td>92,383</td>
<td>8,580</td>
</tr>
<tr>
<td>2007</td>
<td>92,383</td>
<td>8,580</td>
</tr>
<tr>
<td>2008</td>
<td>92,383</td>
<td>8,580</td>
</tr>
<tr>
<td>Thereafter</td>
<td>15,397</td>
<td>8,580</td>
</tr>
<tr>
<td></td>
<td>$479,449</td>
<td>$51,480</td>
</tr>
</tbody>
</table>

Rent expense on the building for the years ended December 31, 2003 and 2002 was $81,648 and $75,746, respectively. Parking rent expense of $8,580 for the years ended December 31, 2003 and 2002 is included in payroll and benefits expense.

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 2003 and 2002 amounted to $44,455 and $45,763, respectively.

Note 9. Income Taxes Relating to H.V. Linden Terrace, Inc.

The provision for income taxes for the years ended December 31, 2003 and 2002 consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$   -0-</td>
<td>$   -0-</td>
</tr>
<tr>
<td>Deferred</td>
<td>1,830</td>
<td>2,034</td>
</tr>
<tr>
<td>State:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$250</td>
<td>$250</td>
</tr>
<tr>
<td>Deferred</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$2,080</td>
<td>$2,284</td>
</tr>
</tbody>
</table>

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 liability and the deferred tax expense of $1,830 and $2,034 for the years ended December 31, 2003 and 2002, respectively.

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

<table>
<thead>
<tr>
<th>Expiration Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2012</td>
<td>$833</td>
</tr>
<tr>
<td>January 1, 2013</td>
<td>2,249</td>
</tr>
<tr>
<td>January 1, 2015</td>
<td>8,111</td>
</tr>
<tr>
<td>January 1, 2016</td>
<td>20,980</td>
</tr>
<tr>
<td></td>
<td>$32,173</td>
</tr>
</tbody>
</table>

Note 10. 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, 2003, cash balances exceeded $100,000. Management considers this a normal business risk.

Note 11. Legal Matter

The Organization is a defendant in a lawsuit, filed by two tenants from an apartment complex once owned by the Organization. Outside counsel for the Organization has advised that at this stage of the proceedings, they cannot offer an opinion as to the probable outcome. The Organization believes the suit is without merit and is vigorously defending its position.