



# Vermont Housing & Conservation Board

(A Component Unit of  
the State of Vermont)

## **FINANCIAL STATEMENTS** and Supplementary Information

For the Year Ended June 30, 2023

**VERMONT HOUSING & CONSERVATION BOARD**  
(A component Unit of the State of Vermont)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Vermont Housing & Conservation Board**

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vermont Housing & Conservation Board (VHCB), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise VHCB's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vermont Housing & Conservation Board, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VHCB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VHCB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VHCB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VHCB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise VHCB's basic financial statements. The accompanying supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023 on our consideration of Vermont Housing & Conservation Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VHCB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VHCB's internal control over financial reporting and compliance.

*Marcum LLP*

Merrimack, NH  
November 28, 2023

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component of the State of Vermont)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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The management of Vermont Housing & Conservation Board (VHCB) provides this narrative overview and analysis of the financial activities of VHCB for the year ended June 30, 2023.

**Overview of VHCB**

VHCB is a public instrumentality of the State of Vermont (the State), established in 1987 with the purpose of improving the quality of life for Vermonters by implementing the dual goals of creating and preserving "affordable housing for Vermonters, and conserving and protecting Vermont's agricultural land, forestland, historic properties, important natural areas, and recreational lands." VHCB functions primarily as a funding agency, making grants and loans to a variety of nonprofit organizations, including community land trusts, housing development organizations, conservation groups, municipalities, and qualifying state agencies. In addition, VHCB administers several programs that contribute to the success of its mission such as the Healthy and Lead Safe Homes program, the AmeriCorps program with statewide participation, the Farm and Forest Viability program, and technical assistance in various forms to aid organizations developing and stewarding projects.

**VHCB Funding and Award Process**

VHCB is funded primarily with state and federal funds. VHCB's primary state funding originates from the State of Vermont's Property Transfer Tax (PTT). By statute, VHCB is to receive 50% of the PTT revenue, calculated after various deductions. This dedicated revenue source was chosen by the General Assembly because as property transfers increase, the pressure on, and the cost of housing, important land, and farm resources also increases, limiting access for Vermonters. Notwithstanding the statutory language, the General Assembly may choose to appropriate an amount smaller than the statutory number to provide the State's General Fund additional revenue to meet budgetary constraints. In some years, the PTT has been supplemented with other funding, such as appropriations from the State's capital bill or one-time State appropriations. Funds that originate from sources other than the federal or state government include: loan repayments, interest earnings, and grants or contributions from miscellaneous entities, including philanthropic organizations and individuals.

VHCB regularly administers and operates several recurring federal grants and programs that complement both the housing and conservation aspects of VHCB's mission. They include: U.S. Department of Housing and Urban Development (HUD) funds for HOME, National Housing Trust Fund, Housing Opportunities for Persons with Aids, and the Healthy and Lead Safe Homes program, U.S. Department of Agriculture (USDA), Natural Resources Conservation Service Agricultural Conservation Easement Program, and an AmeriCorps program. VHCB has received funding from a number of other programs including USDA Rural Development, U.S. Small Business Administration, U.S. Department of Commerce and the Northern Border Regional Commission, particularly in support of its Farm and Forest Viability Program. In fiscal years 2022 and 2023, the State subgranted to VHCB federal American Rescue Plan Act – State Fiscal

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**FOR THE YEAR ENDED JUNE 30, 2023**

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Recovery Funds (ARPA-SRF) in the amount of \$119 million to assist in increasing the State’s supply of affordable housing and providing homes for Vermonters experiencing homelessness.

VHCB’s Board meets approximately six times during each year to make awards to nonprofit partners and other eligible entities for the development of affordable housing and protection of conservation lands and other resources. Actual disbursement of the awards may occur over the course of several years, dependent upon the nature of the project and satisfaction of award conditions.

The life cycle of all of the Board’s awards is similar in process, and yet varies in term, funding sources, compliance requirements, and legal security. The stages and status of every project award are tracked within VHCB’s financial reporting and grants management systems. The current outstanding balance of all awards is reflected in the collective balance of the Net Position/Fund Balance – Restricted for Project Awards and Awards of Anticipated Funds (See Note 12).

**Financial Highlights**

Since the onset of the COVID-19 pandemic, the heightened need for affordable housing and shelter for homeless Vermonters has resulted in a significant flow of new state and federal resources to VHCB. Over the course of fiscal years 2022 and 2023, the State of Vermont has appropriated \$119 million of federal ARPA-SFR funds to VHCB in support of the creation of additional affordable housing units and to address homelessness. In FY2023, VHCB received a one-time State appropriation of \$37.5 million adding to a FY2022 appropriation of \$100 million directed to the support of the housing and homeless crisis. As VHCB makes awards of these funds to housing developers and emergency shelter providers, these resources will continue to have a significant impact on the financial statements of VHCB. In FY2024, VHCB received an additional \$50 million appropriation to be used for further development of multi-family affordable housing, providing manufactured housing with the State, the creation of additional emergency shelter capacity, and to provide designated support to several State agencies in their work in addressing the housing crisis in Vermont.

**Base Funding:**

**Property Transfer Tax**

In fiscal year 2023, VHCB received a net amount of \$21,128,985 in Property Transfer Tax (PTT) revenues, an increase of \$10,324,145 from fiscal year 2022. Had VHCB received its full statutory share of the PTT, that figure would have been \$31,183,000. The difference between the appropriated amount and the statutory figure is retained by the State for use in the State General Fund.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**Capital Bill (Bond) Appropriations**

To supplement fiscal year 2023 PTT revenues and core mission funding, VHCB received Capital Bill Appropriations totaling \$3,800,000, designated for the following purposes:

- Housing & Conservation \$1,800,000
- Conservation and Water Quality \$2,000,000

The combined PTT and Capital Bill Appropriations available for base funding provided total revenues of \$24,928,985, representing 80% of statutory funding.

**Other Funding:**

- Housing- VHCB has been working closely with the State of Vermont to produce housing and shelter for people experiencing homelessness and increase the supply of affordable housing available to low- and moderate-income Vermonters. VHCB received several one-time State General Fund appropriations in FY2022 and FY2023 to assist in increasing Vermont's housing supply. In FY2023 VHCB received:
  - \$35,000,000 to assist with multi-family affordable housing development
  - \$2,500,000 to support the expansion of emergency shelters
  - \$6,680,000 in the form of a grant from the Vermont Agency of Human Services to VHCB to assist in the expansion of emergency shelters within the state
  - \$100,000,000 was received in FY2022 to support these initiatives
- Capital Bill funding of \$200,000 for Farm Retirement Projects
- ARPA-SLFRF funding of \$600,000 for Water Quality Improvement Grants to farmers
- Land Access Opportunity Board received an appropriation of \$200,000 to be administered by VHCB
- VHCB received \$15 million from the State Education Fund to establish the CTE Construction and Rehabilitation Revolving Loan Program to help train the next generation of Vermont's builders while improving its current housing stock and community facilities. VHCB has subgranted funds to a state-wide lending entity who has stood up the program and has successfully awarded the first project loan.

**VHCB Awards for Housing & Conservation**

In fiscal year 2023, the Board approved total new awards of \$112,735,478. These awards will assist in developing 784 units of affordable housing; conserving 20 farms consisting of 3920 acres; protecting 2639 acres of natural areas and recreational lands, and 4 historic properties. In addition,



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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numerous awards have been made to carry out the work of the Farm and Forest Viability Program, Healthy and Lead Safe Housing Program, and the HOPWA Program.

**VHCB Operations Budget**

Within the operations budget, VHCB manages both the administrative costs associated with carrying out the activities of VHCB, as well as the direct staff and related operating costs of running several programs. The portion of the operations budget representing administrative expenditures represents approximately 5% of overall organizational expenditures, consistent with recent years. Prior to the influx of significant federal and state funding that began in FY2021, VHCB's administrative rate ran at approximately 8% of annual expenditures.

Comparison of actual operating expenditures to the budget in fiscal year 2023 resulted in a favorable variance, with costs falling 15% below the approved Operations budget.

**Overview of the Financial Statements**

The balance of the discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of four components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) notes to financial statements, and (4) required supplementary information.

The government-wide financial statements present VHCB's finances for FY2023 in the aggregate, using the full accrual method of accounting, an economic resource measurement focus. The governmental fund financial statements present the major funds of VHCB, using the modified accrual method of accounting, and a focus on the current financial resources available.

The two presentations have significant differences. The reader should be aware of these prior to using the information for analysis. The government-wide financial statements will be the most familiar for readers versed in private sector financial reporting. The fund financials are more reflective of how governmental entities maintain their financial records, with a self-balancing fund for each major activity, often reflective of restrictions, though exclusive of noncurrent assets and long-term liabilities. Reconciliations are included with the financial statements which explain the differences in presentation between the fund financial statements and the government-wide financial statements.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

The following table summarizes the major attributes of the basic financial statements, and highlights the differences between the two presentations:

Financial Statement Attributes:	Government-wide Financial Statements (pages 15-16)	Governmental Funds Statements (pages 17, 19)
Required financial statements:	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances
Presentation:	Aggregated	By major fund
Basis of accounting:	Full accrual	Modified accrual
Measurement focus:	Economic resources focus	Current financial resources focus
Assets reported:	All short-term and long-term assets	- Only current assets expected to be available for the subsequent year (no long-term loans receivable); - No capital assets included
Liabilities reported:	All short-term and long-term liabilities	Only liabilities that come due during the coming year
Type of inflow/outflow information:	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

***Government-Wide Financial Statements***

VHCB’s government-wide financial statements are designed to present an aggregated view of VHCB’s operations and financial position in a manner similar to the accounting principles used by most private-sector businesses.

The government-wide statements contain both short-term and long-term information about VHCB’s financial position and may assist in assessing VHCB’s economic condition at the end of each fiscal year. VHCB prepares these statements using the “flow of economic resources” measurement focus and the accrual basis of accounting. This presentation takes into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, acquisitions or disposals of capital assets, and any other activity affecting the financial condition of VHCB.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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The government-wide financial statements are comprised of two statements:

The Statement of Net Position presents a snapshot of VHCB’s assets and liabilities and deferred outflows and deferred inflows, as of year-end, with the difference between assets and deferred outflows, and liabilities and deferred inflows reported as “net position.”

The Statement of Activities presents the reported year’s financial activity and the nature of the changes in net position included in the Statement of Net Position. All financial activities are recognized as soon as the underlying event(s) occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between VHCB’s major expenditure activities and the associated sources of revenues, as presented on the accrual basis of accounting. The reader should be aware that the expenses reflected in this statement do not include awards disbursed in the form of loans as is demonstrated in the expenditures reported in the fund financial statements. Given that loans are a significant portion of VHCB’s activities, VHCB feels that the fund financial statements presentation is a more meaningful representation of award activity.

***Governmental Funds Statements***

The fund financial statements are presented to demonstrate the activities of VHCB and compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

This presentation represents the “flow of current financial resources” measurement focus and the modified accrual basis of accounting. These statements provide a short-term view of VHCB’s finances and exclude noncurrent assets and long-term liabilities. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of current spendable resources available at the end of the fiscal year.

Due to the focus on current financial resources, only the current portion of loans receivable are reported on the Balance Sheet. This is a significant difference from the Statement of Net Position, where all loans are reported. Fund financial statements are utilized by management, funders, and the Board of Directors during the year to account and report upon restricted resources, determine fiscal health, analyze, and plan. VHCB functions primarily as a funding agency in carrying out its mission. The governmental funds format provides a clearer representation of its activities, by including the funding sources of VHCB awards and the nature in which the awards were disbursed, either in the form of grants or loans. Note 6 provides an explanation of loans receivable. Note 12 presents the financial activities and outstanding balances of the Board’s awards, categories by funding sources.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**Government-Wide Financial Analysis**

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

**Statement of Net Position**

	Governmental Activities		Percent Change
	2023	2022	
<b>Assets</b>			
Current and other assets	\$ 485,507,463	\$ 405,578,850	20%
Capital assets	<u>178,608</u>	<u>213,667</u>	<u>-16%</u>
<b>Total Assets</b>	<u>\$ 485,686,071</u>	<u>\$ 405,792,517</u>	<u>20%</u>
<b>Liabilities</b>			
Other liabilities	8,573,968	1,082,600	692%
Long-term liabilities	<u>230,210</u>	<u>230,210</u>	<u>0%</u>
<b>Total Liabilities</b>	8,804,178	1,312,810	571%
<b>Net Position</b>			
Net investment in capital assets	178,608	213,667	-16%
Restricted	<u>476,703,285</u>	<u>404,266,040</u>	<u>18%</u>
<b>Total Net Position</b>	<u>476,881,893</u>	<u>404,479,707</u>	<u>18%</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 485,686,071</u>	<u>\$ 405,792,517</u>	<u>20%</u>

**VERMONT HOUSING & CONSERVATION BOARD**  
(A Component of the State of Vermont)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

**Change in Net Position**

	Governmental Activities		Percent Change
	2023	2022	
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions	\$ 90,262,015	\$ 142,998,431	-37%
General revenues:			
Property transfer tax	21,128,985	10,804,840	96%
Loan interest income	1,478,447	820,497	80%
Interest income	1,064,017	71,190	1395%
Miscellaneous	12,749	574,124	-98%
<b>Total Revenues</b>	<u>113,946,213</u>	<u>155,269,082</u>	<u>-27%</u>
<b>Expenses</b>			
Conservation - federally funded	5,031,997	3,778,677	33%
Conservation - non-federally funded	10,825,922	8,504,516	27%
Housing - federally funded	11,935,100	12,892,576	-7%
Housing - non-federally funded	11,196,464	14,430,621	-22%
Career Technical Education	733,517	--	0%
Healthy and lead safe homes	848,360	908,097	-7%
AmeriCorps	937,608	812,200	15%
Depreciation	35,059	35,059	0%
<b>Total Expenses</b>	<u>41,544,027</u>	<u>41,361,746</u>	<u>0%</u>
<b>Change in Net Position</b>	72,402,186	113,907,336	-36%
<b>Net Position, Beginning of year</b>	<u>404,479,707</u>	<u>290,572,371</u>	<u>39%</u>
<b>Net Position, End of year</b>	<u>\$ 476,881,893</u>	<u>\$ 404,479,707</u>	<u>18%</u>

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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The analysis of the Statement of Net Position and the Statement of Activities takes into account the following:

- All reporting is impacted by the status of the Board's awards/commitments and the disbursements thereof. The timing of each project's closing, and initial to final disbursements is unique, and in many cases crosses fiscal years, cumulatively affecting cash balances, loans receivable, restricted net position, and expenses in a given year. The flow of those activities is not cyclical, and is impacted by external factors such as other funding sources of the project, seasonality of construction, supply chain, and contractor and consultant availability, all of which makes finding meaningful comparison of year end reporting challenging.
- The structure of housing awards is often in the form of a loan. For this presentation, disbursements of loans will only impact the Statement of Net Position, and not be included in expenses reported for housing programs on the Statement of Activities.

**Statement of Net Position**

Assets - At the close of the fiscal year ended June 30, 2023, current and other assets increased by 20%. This increase is a result of the following factors:

- Cash balance increased by 9% – the increase in cash on hand is due to \$6.5 million advance funding of a grant, and increase in PTT awaiting disbursement of commitments.
- Due from the State of Vermont – this asset increased by 37%, a result of the \$145 million outstanding balances of One-time State Appropriations and Capital Bond appropriations held by the State of Vermont, and recorded as a receivable by VHCB, a \$39 million increase over the prior year.
- Loans receivable – have increased by \$22 million, or 8%, as housing awards structured as loans have been disbursed and funded with federal, VHCB, and one-time housing appropriations.

Total liabilities have increased by \$7.5 million, largely made up of the \$6.6 million in unearned grant revenue offsetting a cash advance from a large grant to VHCB.

Net position has increased by 18%, mirroring restricted Board commitments of increased resources at June 30th, and the increase in loans receivable.

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**(A Component Unit of the State of Vermont)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**Statement of Activities**

Revenues - Overall revenues decreased from the prior year by 27%. Significant changes are noted below:

Operating grants and contributions – a decrease of 37% was a result of lower State one-time appropriations (\$37.5 million in FY23, \$110 million in FY22), and the timing of federal revenues earned as those funds are disbursed.

General revenues –

- Property Transfer Tax – in FY2023 VHCB received \$21.1 million in PTT, closer to the statutory appropriation, and double that of the FY2022 PTT appropriation.
- Interest Income – earnings on cash balances has increased nearly \$1 million, a result of higher cash on hand during the fiscal year as well as increased interest rates.

Total expenses - FY23 expenses are fairly consistent with FY22, and as previously noted, the timing of disbursements is greatly impacted by real estate closings and construction. A large agricultural project closed in FY23, funded with both federal and non-federal resources, resulting in higher conservation expenses in FY23. In housing, both federal and non-federal projects are typically awarded as loans, thus the activity for housing awards would in a given year be higher were those loan disbursements reflected.

Change in net position decreased 36%, consistent with the decrease in State one-time Supplemental Appropriations from FY2022.

***Governmental Funds***

The following table provides a comparison of VHCB’s program functions as presented on the modified accrual basis of accounting. Under this method of accounting, project loan expenditures are included in both housing and healthy and lead safe homes programs, presenting a comprehensive presentation of program activities.

Functions/Programs	2023	2022	% Increase (Decrease)
Conservation - federally funded	\$ 5,031,997	\$ 3,778,677	33%
Conservation - non-federally funded	11,036,168	8,319,516	33%
Housing - federally funded	25,665,005	23,258,307	10%
Housing - non-federally funded	19,834,753	32,043,763	-38%
Career Technical Education	733,517	--	0%
Healthy and lead safe homes	1,007,229	1,100,472	-8%
AmeriCorps	937,608	653,055	44%
	<u>\$ 64,246,277</u>	<u>\$ 69,153,790</u>	<u>-7%</u>

**VERMONT HOUSING & CONSERVATION BOARD**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**Requests for Information**

This financial report is designed to provide a general overview of Vermont Housing & Conservation Board's finances for all those with an interest in VHCB's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Vermont Housing & Conservation Board  
58 East State Street  
Montpelier, Vermont 05602



**VERMONT HOUSING & CONSERVATION BOARD**  
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**GOVERNMENTAL WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF NET POSITION**

**JUNE 30, 2023**

	<u>Governmental Activities</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and short-term investments	\$ 247,319
Cash - State accounts	35,234,628
Due from State of Vermont (Note 5)	145,375,498
Receivables:	
Loans	926,496
Grant reimbursements	2,292,138
Other	73,144
Other assets	<u>29,667</u>
<b>Total Current Assets</b>	<u>184,178,890</u>
<b>Noncurrent Assets</b>	
Receivables (Note 6):	
Loans, net of allowance	277,455,491
Accrued interest on long-term loans, net of allowance	23,873,082
Capital assets, net of accumulated depreciation	<u>178,608</u>
<b>Total Noncurrent Assets</b>	<u>301,507,181</u>
<b>Total Assets</b>	<u>\$ 485,686,071</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	\$ 315,402
Due to State of Vermont (Note 9)	1,663,159
Unearned grant revenue (Note 10)	<u>6,595,407</u>
<b>Total Current Liabilities</b>	<u>8,573,968</u>
<b>Noncurrent Liabilities</b>	
Notes payable	<u>230,210</u>
<b>Total Liabilities</b>	<u>8,804,178</u>
<b>Net Position</b>	
Net investment in capital assets	178,608
Restricted:	
Restricted for project awards (Note 12)	92,830,792
Restricted for programs	81,847,634
Restricted for loans	<u>302,024,859</u>
<b>Total Net Position</b>	<u>476,881,893</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 485,686,071</u>

*The accompanying notes are an integral part of these financial statements.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**GOVERNMENTAL WIDE FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2023**

			Net (Expenses) Revenues and Change in Net Position
	Expenses	Program Revenues  Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
Conservation - federally funded	\$ 5,031,997	\$ 5,031,997	\$ --
Conservation - non-federally funded	10,825,922	3,946,675	(6,879,247)
Housing - federally funded	11,935,100	25,588,579	13,653,479
Housing - non-federally funded	11,196,464	39,184,553	27,988,089
Career Technical Education	733,517	15,000,000	14,266,483
Healthy and lead safe homes	848,360	1,007,229	158,869
AmeriCorps	937,608	502,982	(434,626)
Depreciation	<u>35,059</u>	<u>--</u>	<u>(35,059)</u>
<b>Total Governmental Activities</b>	<u>\$ 41,544,027</u>	<u>\$ 90,262,015</u>	<u>48,717,988</u>
<b>General Revenues</b>			
Property transfer tax			21,128,985
Loan interest income			1,478,447
Interest income			1,064,017
Miscellaneous			<u>12,749</u>
<b>Total General Revenues</b>			<u>23,684,198</u>
<b>Change in Net Position</b>			<u>72,402,186</u>
<b>Net Position:</b>			
Beginning of year			<u>404,479,707</u>
End of year			<u>\$ 476,881,893</u>

*The accompanying notes are an integral part of these financial statements.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**FUND FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

**JUNE 30, 2023**

	General Fund	State Supplemental Appropriation Fund	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and short-term investments	\$ 247,319	\$ --	\$ --	\$ --	\$ 247,319
Cash - State accounts	24,572,763	6,570,944	--	4,090,921	35,234,628
Due from other funds	2,044,933	6,098	--	2,441,304	4,492,335
Due from State of Vermont (Note 5)	250,500	140,093,677	59,051	4,972,270	145,375,498
Receivables:					
Current portion of long-term loans	926,496	--	--	--	926,496
Grant reimbursements	--	--	--	2,292,138	2,292,138
Other	13,682	--	--	59,462	73,144
Other assets	29,667	--	--	--	29,667
<b>Total Assets</b>	<u>\$ 28,085,360</u>	<u>\$ 146,670,719</u>	<u>\$ 59,051</u>	<u>\$ 13,856,095</u>	<u>\$ 188,671,225</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 315,402	\$ --	\$ --	\$ --	\$ 315,402
Due to other funds	2,299,392	1,304,644	59,051	829,248	4,492,335
Due to State of Vermont (Note 9)	--	--	--	1,663,159	1,663,159
Unearned grant revenue (Note 10)	--	6,570,944	--	24,463	6,595,407
<b>Total Liabilities</b>	<u>2,614,794</u>	<u>7,875,588</u>	<u>59,051</u>	<u>2,516,870</u>	<u>13,066,303</u>
<b>Deferred Inflows of Resources - Loans</b>	<u>926,496</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>926,496</u>
<b>Fund Balances</b>					
Restricted:					
Restricted for project awards (Note 12)	17,970,082	65,641,951	--	9,218,759	92,830,792
Restricted for programs	6,573,988	73,153,180	--	2,120,466	81,847,634
<b>Total Fund Balances</b>	<u>24,544,070</u>	<u>138,795,131</u>	<u>--</u>	<u>11,339,225</u>	<u>174,678,426</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 28,085,360</u>	<u>\$ 146,670,719</u>	<u>\$ 59,051</u>	<u>\$ 13,856,095</u>	<u>\$ 188,671,225</u>

*The accompanying notes are an integral part of these financial statements.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**FUND FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET**  
**POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET**  
**POSITION**

**JUNE 30, 2023**

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<i>Governmental Fund Balances</i>	\$ 174,678,426
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	178,608
Noncurrent portion of loans receivable are not available financial resources and, therefore, are not included in governmental funds.	278,381,987
Accrued interest receivable on loans is not recorded under the modified accrual basis of accounting.	23,873,082
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in governmental funds.	<u>(230,210)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 476,881,893</u>

*The accompanying notes are an integral part of these financial statements.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**FUND FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	State Supplemental Appropriation Fund	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property transfer tax	\$ 21,128,985	\$ --	\$ --	\$ --	\$ 21,128,985
State appropriations	--	52,609,056	--	4,276,427	56,885,483
Federal, state and private grant revenue	100,000	--	20,305,202	11,604,170	32,009,372
Loan principal repayments	88,431	--	--	145,432	233,863
Loan interest	4,428	--	--	--	4,428
AmeriCorps	--	--	--	502,988	502,988
Mitigation revenue	--	--	--	767,602	767,602
Interest income	1,064,017	--	--	105,647	1,169,664
Miscellaneous	89,987	--	--	1,010,957	1,100,944
<b>Total Revenues</b>	<u>22,475,848</u>	<u>52,609,056</u>	<u>20,305,202</u>	<u>18,413,223</u>	<u>113,803,329</u>
<b>Expenditures</b>					
Program functions:					
Conservation - federally funded	--	--	--	5,031,997	5,031,997
Conservation - non-federally funded	4,488,064	1,229,246	--	5,318,858	11,036,168
Housing - federally funded	--	--	20,305,202	5,359,803	25,665,005
Housing - non-federally funded	5,949,294	10,605,215	--	3,280,244	19,834,753
Career Technical Education	--	733,517	--	--	733,517
Healthy and lead safe homes	--	--	--	1,007,229	1,007,229
AmeriCorps	--	--	--	937,608	937,608
<b>Total Expenditures</b>	<u>10,437,358</u>	<u>12,567,978</u>	<u>20,305,202</u>	<u>20,935,739</u>	<u>64,246,277</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>12,038,490</u>	<u>40,041,078</u>	<u>--</u>	<u>(2,522,516)</u>	<u>49,557,052</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to support programs	(1,578,042)	--	--	1,578,042	--
<b>Total Other Financing Sources (Uses)</b>	<u>(1,578,042)</u>	<u>--</u>	<u>--</u>	<u>1,578,042</u>	<u>--</u>
<b>Change in Fund Balance</b>	10,460,448	40,041,078	--	(944,474)	49,557,052
<b>Fund Balance, at Beginning of Year</b>	<u>14,083,622</u>	<u>98,754,053</u>	<u>--</u>	<u>12,283,699</u>	<u>125,121,374</u>
<b>Fund Balance, at End of Year</b>	<u>\$ 24,544,070</u>	<u>\$ 138,795,131</u>	<u>\$ --</u>	<u>\$ 11,339,225</u>	<u>\$ 174,678,426</u>

*The accompanying notes are an integral part of these financial statements.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**FUND FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2023**

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<b><i>Change in Fund Balances - Governmental Funds</i></b>	\$ 49,557,052
Governmental funds report annual capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(35,059)
Governmental funds report loans disbursed and lending activities as expenditures. Under the accrual basis of accounting, these transactions are not reported on the Statement of Activities.	30,864,205
Governmental funds report loan principal repayments as revenue when received. Under the accrual basis of accounting, these receipts are not reported on the Statement of Activities.	(233,863)
Governmental funds do not report accrued interest income from loans under the modified accrual basis of accounting.	1,162,794
The change in the allowance for uncollectible loans and forgiveness is not reflected in governmental funds, but is included in government-wide revenues.	<u>(8,912,943)</u>
<b><i>Change in Net Position - Governmental Activities</i></b>	<b><u>\$ 72,402,186</u></b>

*The accompanying notes are an integral part of these financial statements.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Vermont Housing & Conservation Board (VHCB) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental financial reporting principles. The following is a summary of significant policies:

***REPORTING ENTITY***

VHCB was established by the Vermont Legislature in May of 1987 with the dual goals of "creating affordable housing for Vermonters, and conserving and protecting Vermont's agricultural land, forestland, historic properties, important natural areas, and recreational lands."

VHCB's Board makes grants and loans to nonprofit organizations including land trusts, conservation groups, housing cooperatives, and to municipalities and qualifying state agencies. The core of state funding, according to statute received by VHCB is a dedicated portion of the Vermont Property Transfer Tax (PTT). The Vermont Legislature approves the appropriations of the PTT to VHCB annually.

The eleven-member VHCB Board consists of seven citizen members and four ex-officio members who are heads of designated state agencies. Six members, including three ex-officio members, are appointed by the Governor of Vermont. The remaining members, except for the Director of the Vermont Housing Finance Agency, are appointed by the Vermont Legislature.

Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, and ability to significantly influence operations and accountability for fiscal matters. Given that certain of these criteria apply to the relationship between VHCB and the State of Vermont for the State's financial reporting purposes, VHCB is considered a component unit of the State of Vermont. These financial statements present only VHCB.

***BASIC FINANCIAL STATEMENTS***

The basic financial statements include both government-wide and fund financial statements. This financial reporting model focuses on VHCB as a whole (in the government-wide financial statements) and on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities of VHCB as governmental. However, the different statements represent two different measurement focuses and use different methods of accounting. A reconciliation is included which explains the differences in presentation between the fund financial statements and the government-wide statements.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

*Government-Wide Financial Statements*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus on all economic resources applied on an accrual basis demonstrates the sustainability of VHCB as an entity by reporting the aggregate financial position and the change in financial position resulting from the activities of the fiscal period. The government-wide Statement of Activities reflects both the gross and net costs by functional category which are otherwise supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues and operating grants that are specifically restricted for the relative function. The net cost is funded by general revenues (property transfer tax, capital bond appropriation, loan interest income, interest income, and miscellaneous). Programs and grants are charged their share of overhead and administrative costs based on VHCB's cost allocation and indirect rate plan.

*Fund Financial Statements*

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. All other revenue items are considered to be measurable and available only when cash is received by VHCB. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

This presentation assists in demonstrating legal compliance, and the source and use of liquid resources. The emphasis of the fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized into a single column.



**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)***

*Fund Financial Statements (Continued)*

VHCB reports the following major governmental funds:

The **General Fund** is the primary operating fund of VHCB. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund consists of the Operating and Trust Funds of VHCB. The Trust Fund includes revenues from the Vermont Property Transfer Tax and repayments on unrestricted loans. Expenditures from the Trust Fund include grants, loans, miscellaneous direct program costs, and transfers to the Operating Fund for operations funding.

The **State Supplemental Appropriation Fund** accounts for one-time appropriations made to VHCB from the State's General Fund totaling \$52.5 million in fiscal year 2023. This includes \$37.5 million for the creation of affordable housing and emergency shelter, as well as \$15 million for the creation of the CTE Construction and Rehabilitation revolving loan fund. This Fund also includes transactions relating to prior year One-time State Supplemental Appropriations.

The **American Rescue Plan Act (ARPA-SFR) Fund** accounts for federal, state, and local fiscal recovery funds authorized by the American Rescue Plan Act (ARPA – SFR) and subgranted to VHCB by the State of Vermont in the amount of \$119 million for the production of housing for low- and moderate-income households, including housing dedicated for households experiencing homelessness.

***CASH AND SHORT-TERM INVESTMENTS***

Deposits with financial institutions consist of demand deposits. Cash reported in the General Fund is advanced as needed to cover expenses of other funds and is subsequently reimbursed.

***CASH – STATE ACCOUNTS***

The majority of VHCB's funds are maintained within the State of Vermont Treasury. Interest earned by the funds within the State of Vermont Treasury is transferred to VHCB accounts.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***LOANS***

VHCB awards loans to nonprofits and various other eligible entities to assist in project development. In the governmental fund financial statements, loans are recorded as expenditures in the fund from which the sources were disbursed. Loans receivable that carry future restrictions on repayment proceeds are recorded in the fund from which the resources were derived; all others are recorded in the General Fund. Due to the current resource measurement focus of the governmental fund statements, only current loans receivable are reported on the governmental funds Balance Sheet.

***INTERFUND RECEIVABLES AND PAYABLES***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., the current portion of interfund loans).

***CAPITAL ASSETS***

Capital assets, which include leasehold improvements and furniture, equipment, and software, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as constructed. Capital assets are depreciated using the straight-line method over the estimated useful lives of the respective assets.

***UNEARNED GRANT REVENUES***

Grant funds received in advance are unearned revenues until the work is completed.

***DEFERRED INFLOWS OF RESOURCES***

Deferred inflows of resources are the acquisition of fund balance by VHCB that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on fund balance, similar to liabilities. Deferred inflows of resources represent the current portion of long-term loans expected to be received in the next fiscal year.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***LONG-TERM LIABILITIES***

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Position.

***FUND EQUITY***

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** generally represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. VHCB has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows:

**Nonspendable** - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted** - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

**Committed** - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of VHCB’s highest level of decision-making authority.

**Assigned** - Represents amounts that are constrained by VHCB’s intent to use these resources for a specific purpose. This fund balance classification includes encumbrances that have been established for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and any surplus set aside to be used in the subsequent year’s budget.

**Unassigned** - Represents amounts that are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, VHCB uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***FUND EQUITY (CONTINUED)***

**Net Position** - represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

***USE OF ESTIMATES***

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***BUDGETARY INFORMATION***

An annual budget of operating expenditures, inclusive of all of funds, is prepared by VHCB staff, reviewed by the Finance Committee, and approved by the Board of Directors.

VHCB develops internal targets for utilization of total available resources which are used to award funding to housing and conservation projects. Decisions regarding specific project commitments are determined by the Board of Directors based on the quality of applications received, evaluating potential for leverage, community need, eligibility criteria, availability of funds, and, as directed by statute, consideration of timely response to unpredictable circumstances or unique opportunity.

***BUDGET/GAAP RECONCILIATION***

The budgetary data presented as supplementary information is intended to be consistent with the operating budget approved by VHCB's Board of Directors and is created and accounted for on the modified-accrual basis of accounting.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 3 - CASH AND SHORT-TERM INVESTMENTS AND CASH – STATE ACCOUNTS**

Custodial credit risk is the risk that in the event of a bank failure, VHCB's deposits may not be returned to it. VHCB has a collateralization agreement with the financial institution where a checking account is maintained. The majority of VHCB's deposits are maintained within the State of Vermont Treasury. As of June 30, 2023, none of VHCB's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

**NOTE 4 - INTERFUND ACCOUNTS**

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized.

***RECEIVABLES/PAYABLES***

The following is a summary of June 30, 2023 balances in interfund receivable and payable accounts:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,044,933	\$ 2,299,392
State Supplemental Appropriation Fund	6,098	1,304,644
American Rescue Plan Act Fund	--	59,051
Nonmajor Governmental Funds	2,441,304	829,248
	\$ 4,492,335	\$ 4,492,335

***TRANSFERS***

In fiscal year 2023, VHCB transferred \$1,578,042 from the General Fund to other governmental funds to support program costs not covered by state, federal grants, or other revenues.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 5 - DUE FROM STATE OF VERMONT**

At June 30, 2023, \$145,375,498 was due from the State of Vermont for outstanding balances of various appropriations, including \$126,075,697 from one-time appropriations of state general funds, \$14,268,480 of education funds, and \$4,854,161 of outstanding capital bill appropriations.

**NOTE 6 - LONG-TERM LOANS RECEIVABLE**

VHCB's loans receivable portfolio is comprised of loans made for projects under the affordable housing, healthy and lead safe homes program, and other programs, including down payment assistance and short-term bridge financing. Loan types and maturities are as follows:

Fiscal Year	Loan Type		Total
	Housing Projects	Health and Lead Safe Homes Program	
2024	\$ 926,496	\$ --	\$ 926,496
2025	2,072,325	--	2,072,325
2026	2,278,325	--	2,278,325
2027	2,857,603	--	2,857,603
2028	543,109	--	543,109
Thereafter	275,594,026	8,630,130	284,224,156
	\$ 284,271,884	\$ 8,630,130	292,902,014
Less, allowance			(14,520,027)
Total loans, net of allowance			\$ 278,381,987

VHCB makes loans using various federal and non-federal funds, dependent upon project eligibility and the entire project funding structure. Loans made from federal sources make up 35%, or \$103 million, of VHCB's loan portfolio as of June 30, 2023. Repayments of loans made with federal resources are restricted as directed by federal program regulations.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 6 - LONG-TERM LOANS RECEIVABLE (CONTINUED)**

***HOUSING PROJECT LOANS***

The majority of housing awards are structured as non-interest-bearing deferred loans with a balloon payment due upon maturity, typically 30-40 years from the date of the note. Older loans, some still in the portfolio, include terms that may require quarterly payments of principal and/or interest with interest rates varying from 0% - 11.6%.

VHCB makes loans consistent with best practices for new development as reviewed by legal and financial counsel, external evaluators, and others. The purpose of VHCB loans is to secure permanent benefits of affordability for Vermonters below median income in the State of Vermont while encouraging as much leverage from other sources, including conventional loans, as a project can support while meeting the public purpose of the loan.

The largest pool of deferred loans is made in conjunction with the Low Income Housing Tax Credit program (LIHTC). VHCB has an obligation and legislative directive to conduct its mission in a manner that achieves permanent affordability, serves low- and moderate-income Vermonters, and protects residents from displacement. VHCB collects deferred loans upon maturity unless doing so will result in the displacement of residents or prevent the continued use of the property as affordable housing.

VHCB evaluates such loans on a case-by-case basis if a request is made for continued deferral or refinancing based upon a project's individual circumstances. VHCB may, depending upon those circumstances, agree to extend, refinance, convert to a secured grant or, in some cases, forgive debt in order to continue affordability beyond the LIHTC compliance period and/or support needed investment in the property.

***HEALTHY AND LEAD SAFE HOMES PROGRAM LOANS***

The Healthy and Lead Safe Homes Program (HLSHP) provides loans as part of the project award package. Full to partial loan forgiveness provisions may be included within the note to incentivize long-term lead safety compliance practices, good property maintenance, and continued occupancy by low-income tenants. Forgiveness provisions vary, including up to 100% forgiveness for investor-owned and private homeowners, subject to compliance of certain requirements. HLSHP loans are either deferred loans (balloon payment at maturity) or due upon sale or transfer of property.

As required by accounting standards, loans receivable appear differently within the two types of financial statement presentations.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 6 - LONG-TERM LOANS RECEIVABLE (CONTINUED)**

***HEALTHY AND LEAD SAFE HOMES PROGRAM LOAN (CONTINUED)***

The government-wide Statement of Net Position has an economic focus of measurement and uses the accrual basis of accounting method. As a result, within the current and noncurrent assets sections, all loans receivable have been consolidated. No distinction is made for loans with federal or other restrictions. An allowance for uncollectible loans is netted against both the loans receivable and accrued interest receivable.

The governmental funds Balance Sheet presents the current financial resources measurement focus and uses the modified accrual basis of accounting. Assets and liabilities presented include only those loans receivable that are current.

For a complete understanding of VHCB's loans receivable, one should utilize both financial statements. The two reporting presentations are illustrated below:

	Government-Wide Statement of Net Position	Governmental Funds - Balance Sheet
Current portion loans receivable	\$ 926,496	\$ 926,496
Long-term loans receivable, net of allowance	277,455,491	--
Accrued interest on long-term loans, net of allowance	23,873,082	--
	\$ 302,255,069	\$ 926,496

In the government-wide statements, loans receivable have been reduced by an allowance of \$15,776,550 at June 30, 2023 to reflect the estimated amount of loans that will not be collected either because of forgiveness, conversion, or due to doubtful accounts. VHCB determines this allowance using a combination of historical experience by loan type and management's analysis of the current portfolio.

VHCB calculates accrued interest on long-term loans based on applicable rates and terms of interest. At June 30, 2023, VHCB has estimated an allowance for uncollectible accrued interest receivable of \$1,256,478, based on historical experience of loans and management's analysis of the current portfolio.



**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 7 - GRANT REIMBURSEMENTS RECEIVABLE**

Grant reimbursements receivable represents grant funding for which allowable costs have been incurred and reimbursements or requisitions of funding are pending.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

	July 1, 2022	Additions	Retirements	June 30, 2023
Governmental Activities:				
Capital assets, being depreciated:				
Leasehold improvements	\$ 225,146	\$ --	\$ --	\$ 225,146
Furniture, equipment, and software	<u>327,685</u>	<u>--</u>	<u>--</u>	<u>327,685</u>
Total capital assets, being depreciated	<u>552,831</u>	<u>--</u>	<u>--</u>	<u>552,831</u>
Less accumulated depreciation for:				
Leasehold improvements	(205,309)	(15,400)	--	(220,709)
Furniture, equipment, and software	<u>(133,855)</u>	<u>(19,659)</u>	<u>--</u>	<u>(153,514)</u>
Total accumulated depreciation	<u>(339,164)</u>	<u>(35,059)</u>	<u>--</u>	<u>(374,223)</u>
Governmental activities capital assets, net	<u>\$ 213,667</u>	<u>\$ (35,059)</u>	<u>\$ --</u>	<u>\$ 178,608</u>

**NOTE 9 - DUE TO STATE OF VERMONT**

Amounts due to State of Vermont represent amounts owed for cash utilized in advance of federal grant reimbursement.

**NOTE 10 – UNEARNED GRANT REVENUE**

At June 30, 2023, unearned grant revenue represents the balance of the \$6.68 million grant from the State of Vermont Agency of Human Services, for homelessness relief.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 11 - NOTES PAYABLE**

VHCB has one outstanding note payable to the Vermont Housing Finance Agency (VHFA) totaling \$230,210. These funds were loaned to VHCB to supplement the Healthy and Lead Safe Homes Program and were used to make loans to program recipients. Repayment of program recipient loans to VHCB is triggered by transfer of property. The note requires repayment to VHFA beginning July 30, 2078 on an annual basis as corresponding program recipient repayments are received during each preceding twelve-month period.

**NOTE 12 - PROJECT AWARDS**

The VHCB Board meets approximately six times during the year to make awards. These awards may be funded with current or anticipated resources. VHCB policy drives the structure of all awards. The awards are subject to external funding restrictions and carry VHCB imposed grant or loan conditions. In addition to Board activity, designated VHCB staff may make small project awards. Project award activity is individually tracked. This tracking includes recording the initial award, disbursements against the award, and outstanding award balances.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 12 - PROJECT AWARDS (CONTINUED)**

Project award activity is presented in the following tables:

***RESTRICTED FOR PROJECT AWARDS***

This represents the outstanding balances of project awards made using current resources on hand, such as Trust, Housing Revenue for All Bond, Capital Appropriation, or Mitigation funds.

	Balance July 1, 2022	New Commitments	Net Disbursements	Decommitment of Prior Year Commitments	Reallocation Among Funds	Balance June 30, 2023
Trust Funds	\$ 12,940,887	\$ 17,319,880	\$ (7,651,170)	\$ (1,404,043)	\$ (3,012,632)	\$ 18,192,922
Affordable Housing Revenue Bond	2,157,780	405,680	(1,306,741)	(300,033)	-	956,686
Capital Appropriation Funds	5,512,292	491,888	(4,950,019)	-	3,800,000	4,854,161
State Supplemental Appropriation	50,440,553	42,816,606	(12,440,194)	(550,613)	(14,373,900)	65,892,452
Act 250 Mitigation Funds	554,327	146,708	(395,630)	(6,920)	337,615	636,100
Housing Mitigation	8,796	--	--	--	(2)	8,794
Lead Loan Repayment Fund	8,165	--	(7,285)	--	--	880
VLITE	72,725	30,000	(20,000)	--	--	82,725
Farm Viability Program	1,793,503	1,268,928	(905,628)	(32,510)	81,779	2,206,072
Total	<u>\$ 73,489,028</u>	<u>\$ 62,479,690</u>	<u>\$ (27,676,667)</u>	<u>\$ (2,294,119)</u>	<u>\$ (13,167,140)</u>	<u>\$ 92,830,792</u>

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 12 - PROJECT AWARDS (CONTINUED)**

*AWARDS OF ANTICIPATED FUNDS*

These are project awards in which the Board obligated either federal funds for which VHCB has authority to commit or anticipated future appropriations. In accordance with accounting standards, these outstanding award balances are not recorded on the financial statements until funding sources are received or disbursement occurs.

	Balance July 1, 2022	New Commitments	Net Disbursements	Decommitment of Prior Year Commitments	Reallocation Among Funds	Balance June 30, 2023
Trust Funds	\$ 150,000	\$ --	\$ --	\$ --	\$ (150,000)	\$ --
AHS Homelessness	--	400,000	(109,055)	--	5,780,000	6,070,945
CDS/HUD	--	2,751,213	--	--	--	2,751,213
ARPA	44,411,571	35,599,650	(19,808,231)	(933,071)	7,575,752	66,845,671
HOME	8,236,260	2,821,933	(2,379,491)	--	(154,268)	8,524,434
HOPWA	869,420	5,487	(458,701)	(5,487)	--	410,719
Housing Trust Fund	5,723,401	1,894,301	(1,985,221)	--	131,936	5,764,417
Lead Paint Hazard Reduction	354,453	717,610	(540,619)	(91,273)	--	440,171
Farm Viability Program	650,382	1,737,594	(686,920)	(28,704)	(83,780)	1,588,572
NRCS	4,740,750	4,328,000	(4,182,750)	(12,500)	67,500	4,941,000
Housing Mitigation	73,917	--	--	--	--	73,917
<b>Total</b>	<b>\$ 65,210,154</b>	<b>\$ 50,255,788</b>	<b>\$ (30,150,988)</b>	<b>\$ (1,071,035)</b>	<b>\$ 13,167,140</b>	<b>\$ 97,411,059</b>

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 13 - RETIREMENT PLAN**

VHCB participates in a defined contribution retirement plan. The annual contribution, in the amount of \$327,048 for fiscal year 2023, is based on 10% of the salaries paid on a cash basis to eligible, participating employees during the year. An employee becomes a participant in the plan and eligible for contribution by working a minimum of 1,000 hours in the plan year. There are no “years of service” or “minimum age” requirements for eligibility. Individuals employed before July 1, 1991 vested at 25% per year beginning at the time of employment and became fully vested after four years. Individuals employed after July 1, 1991 vest at 20% per year beginning with the second year and are fully vested after six years. Investments of the plan are self-directed by employees.

Employees are eligible to participate in the State of Vermont's deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their taxable salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseeable emergency.

**NOTE 14 - LEASE**

VHCB exercised its option to extend its lease for 5 years for its office space with the Vermont Economic Development Authority commencing July 1, 2023. The base annual rent for the five years is \$138,199. As additional rent, VHCB shall pay its pro-rata share of annual building operating expenses (currently \$104,580 per year). The lease is expiring in fiscal year 2028, and it is not reasonably certain that it will be renewed. The fiscal year 2023 payment was \$213,924. The net present value of the lease payable as of June 30, 2023 was \$605,711. Management has determined that the effect of implementing GASB 87 is immaterial to its financial statements.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

***OUTSTANDING LEGAL ISSUES***

There are no pending legal issues in which VHCB is involved.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**ALL FUNDS – OPERATING EXPENDITURES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***GRANTS***

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. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although VHCB expects such amounts, if any, to be immaterial.

**NOTE 16 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 28, 2023, the date these financials statements were available to be issued.

**VERMONT HOUSING & CONSERVATION BOARD**  
(A Component Unit of the State of Vermont)

**ALL FUNDS – OPERATING EXPENDITURES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Original and Final Budget	Budgetary Basis Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Operating Expenditures</b>			
Salaries and benefits	\$ 5,492,064	\$ 4,769,041	\$ 723,023
Other:			
Consulting - policy/program	37,000	9,928	27,072
Consulting - mgmt/fiscal systems	44,508	42,111	2,397
Consulting - public information	23,650	8,581	15,069
Consulting - project related	18,400	12,659	5,741
Board - travel	7,180	851	6,329
Board - meals and facilities	6,295	48	6,247
Board - per diem	5,750	2,350	3,400
Board - retreat	5,700	7,730	(2,030)
Audit	35,000	30,000	5,000
Advertising	18,200	35,622	(17,422)
Conference, registration and training	30,560	13,349	17,211
Dues and subscriptions	13,443	11,420	2,023
Insurance - business	4,822	3,991	831
Legal expense	8,000	3,534	4,466
Meetings and facilities	7,250	10,993	(3,743)
Miscellaneous expense - administration	1,000	260	740
Occupancy	230,224	225,783	4,441
Office supplies	14,240	10,395	3,845
Postage and mailings	4,520	2,905	1,615
Printing and developing	4,200	3,553	647
Repairs and maintenance - equipment	9,318	3,609	5,709
Computer related expenses	293,735	194,131	99,604
Telephone	22,500	13,207	9,293
Travel - instate	39,300	32,813	6,487
Travel - out-of-state	33,200	17,693	15,507
Expendable furniture and fixtures	9,900	715	9,185
<b>Total Operating Expenditures</b>	<u>\$ 6,419,959</u>	<u>5,467,272</u>	<u>\$ 952,687</u>

**Reconciliation to Total Expenditures:**

Less: operating expenditures charged to restricted funds	(2,316,699)
Add: General Fund grant, loan, and direct program expenses	<u>7,286,785</u>
Total Expenditures - General Fund	<u>\$ 10,437,358</u>

*See independent auditors' report.*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
**Vermont Housing & Conservation Board**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vermont Housing & Conservation Board (VHCB), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise VHCB's basic financial statements, and have issued our report thereon dated November 28, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered VHCB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VHCB's internal control. Accordingly, we do not express an opinion on the effectiveness of VHCB's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether VHCB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VHCB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Merrimack, NH  
November 28, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
**Vermont Housing & Conservation Board**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Vermont Housing & Conservation Board's (VHCB) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of VHCB's major federal programs for the year ended June 30, 2023. VHCB's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, VHCB complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of VHCB and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of VHCB's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to VHCB's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on VHCB's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about VHCB's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding VHCB's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of VHCB's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of VHCB's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vermont Housing & Conservation Board as of and for the year ended June 30, 2023 and have issued our report thereon dated November 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Marcum LLP*

Merrimack, NH  
November 28, 2023

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2023**

**VERMONT HOUSING & CONSERVATION BOARD**  
**(a Component Unit of the State of Vermont)**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Agency

Cluster	Grant	Program or	Pass through	Federal	Amount	Federal
Federal Office	Number	Award	Identifying	AL	Provided to	Expenditures
Pass-through Agency		Amount	Number	Number	Subrecipients	
Program Title						
<u>U.S. Department of Agriculture</u>						
Agricultural Conservation Easement Program						
Natural Resources Conservation Service						
Agricultural Conservation Easement Program	54164419PAP01	\$ 4,085,250	N/A	10.931	\$ --	\$ 4,085,250
Agricultural Conservation Easement Program	55164420PA014	97,500	N/A	10.931	--	97,500
Total Agricultural Conservation Easement Program					--	4,182,750
Rural Housing Service						
Community Facilities Loans and Grants	75202	150,000	N/A	10.766	14,265	36,444
Economic Development Authority	01-79-15174; URI 117452	351,165	N/A	10.307	165,478	216,485
Eastern Region State & Private Forestry	22-DG-11094200-085	150,000	N/A	10.723	--	36,655
Total U.S. Department of Agriculture					179,743	4,472,334
<u>U.S. Department of Housing and Urban Development</u>						
Home Investment Partnerships Program						
Office of Community Planning and Development						
Passed Through the Vermont Agency of						
Commerce and Community Development:						
Home Investment Partnerships Program	M19SG500100	2,705,159	07110-2019 HOME	14.239	--	46,000
Home Investment Partnerships Program	M20SG500100	2,955,000	07110-2020 HOME	14.239	--	1,464,028
Home Investment Partnerships Program	M21SG500100	2,955,000	07110-2021 HOME	14.239	--	1,116,204
Home Investment Partnerships Program	M21SP500100	9,349,485	07110-2021 HOME ARP	14.239	--	51,506
Total Home Investment Partnerships Program					--	2,677,738

*The accompanying notes are an integral part of this schedule.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2023**

	Grant Number	Program or Award Amount	Pass through Identifying Number	Federal AL Number	Amount Provided to Subrecipients	Federal Expenditures
Lead-Based Paint Hazard Control in Privately-Owned Housing						
Office of Health Homes and Lead Hazard Control						
Lead-Based Paint Hazard Control in Privately-Owned Housing	VTLHB0744-19	4,007,285	N/A	14.910	\$ --	\$ 985,176
Lead-Based Paint Hazard Control in Privately-Owned Housing	VTLHB0744-20	4,007,285	N/A	14.910	--	29,338
Housing Opportunities for Persons with AIDS					--	1,014,514
Housing Opportunities for Persons with AIDS	VT-H2001W081	159,851	N/A	14.241	11,255	11,255
Housing Opportunities for Persons with AIDS	VT-H200022	1,430,747	N/A	14.241	447,445	447,445
Total Housing Opportunities for Persons with AIDS					458,700	458,700
Housing Trust Fund						
Housing Trust Fund	F20-SG500100	\$ 3,000,000	N/A	14.275	--	1,604,892
Housing Trust Fund	F21-SG500100	3,000,000	N/A	14.275	--	571,957
Total Housing Trust Fund					--	2,176,849
Economic Development Initiative						
Congressional Grants Division	B-23-CP-VT-0924	1,277,000	N/A	14.251	--	30,535
Congressional Grants Division	B-23-CP-VT-1921	1,575,000	N/A	14.251	--	15,981
Total Community Project Funding, and Miscellaneous Grants					--	46,516
Total U.S. Department of Housing and Urban Development					458,700	6,374,317
<u>U.S. Department of Treasury</u>						
Coronavirus State and Local Fiscal Recovery Fund						
Passed Through Vermont Agency of Administration						
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	NA	119,000,000	01100 2021ACT74SecG400a1-VHCB	21.027	19,808,231	20,305,202
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	NA	89,000,000	01100 2021ACT147SecG400a1-VHCB	21.027	--	185,175
Total U.S. Department of Treasury					19,808,231	20,490,377

*The accompanying notes are an integral part of this schedule.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2023**

	Grant Number	Program or Award Amount	Pass through Identifying Number	Federal AL Number	Amount Provided to Subrecipients	Federal Expenditures
<u>Northern Border Regional Commission</u>						
Northern Border Regional Development						
Northern Border Regional Development	NBRC-19GRF08	624,059	N/A	90.601	\$ 132,038	\$ 148,951
Total Northern Border Regional Commission					132,038	148,951
<u>Corporation for National and Community Service</u>						
Passed Through the Vermont Agency for Human Services						
AmeriCorps State and National	21ESFVT0010001	418,002	03400-VHCB-21ESH-FY22	94.006	--	72,747
AmeriCorps State and National	21ESFVT0010001	493,727	03400-VHCB-21ESH-FY23	94.006	--	305,459
Total AmeriCorps State and National					--	378,206
Total Corporation for National and Community Service					--	378,206
<u>U.S. Small Business Administration</u>						
Congressional Grants	SBAHQ2210054	250,000	N/A	59.059	--	225,537
Total U.S. Small Business Administration					--	225,537
Total Federal Expenditures					\$ 20,578,712	\$ 32,089,722

*The accompanying notes are an integral part of this schedule.*

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Vermont Housing & Conservation Board (VHCB) under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of VHCB, it is not intended to and does not present the financial position or changes in net position of VHCB.
- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

**NOTE 2 - DE MINIMIS COST RATE**

VHCB has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 - DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE) (UNAUDITED)**

During fiscal year 2023, VHCB did not receive donated PPE from federal sources.



**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***FINANCIAL STATEMENTS***

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: ***UNMODIFIED***

Internal control over financial reporting:  
 Material weaknesses identified?  Yes  No  
 Significant deficiencies identified?  Yes  None reported

Non-compliance material to financial statements noted?  Yes  No

***FEDERAL AWARDS***

Internal control over major programs:  
 Material weaknesses identified?  Yes  No  
 Significant deficiencies identified?  Yes  None reported

Type of auditors' report issued on compliance for major federal programs: ***UNMODIFIED***

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs:

<u><b><i>NAME OF FEDERAL PROGRAM OR CLUSTER</i></b></u>	<u><b><i>ASSISTANCE LISTING</i></b></u> <u><b><i>NUMBER(S)</i></b></u>
HOME Investment Partnerships Program	14.239
Housing Opportunities for Persons with AIDS	14.241
Coronavirus State and Local Fiscal Recovery Fund (ARPA)	21.027

Dollar threshold used to distinguish between type A and type B programs: \$962,692

Auditee qualified as low-risk auditee?  Yes  No

**VERMONT HOUSING & CONSERVATION BOARD**  
**(A Component Unit of the State of Vermont)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2023**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

There were no findings in the prior year.