



110 Marble Street, West Rutland, VT 05777  
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### **Board of Directors Meeting**

**Date: June 23, 2021**

**Time: 5:30 p.m.**

**Location: Virtual**

**Present:** Jennifer Yakunovich, Karen Bartlett, Keri Franzoni, Gabe Gladding, Cindy Adams, Peg Flory, Melinda Humphrey

**Absent:** Mike Kalil, Andrew Carlson

**Staff:** Heather Starzynski, Liz Karle

**Guests:** Randy Sargent and Amity Baker from JMM & Associates

- 1) **Call to Order:** Jennifer Yakunovich made the call to order and asked for any proposed to changes to the agenda for which there were none.
- 2) **Approval of Meeting Minutes:** Jennifer Yakunovich made a motion to approve the minutes of the May 26, 2021 board meeting and the Board voted unanimously to accept.
- 3) **Election of New Member:** Peg Flory made a motion to accept Melinda Humphrey as a member of the Board of NeighborWorks of Western Vermont. The Board voted unanimously to accept. Melinda thanked the Board for voting her in and looks forward to working with everyone.
- 4) **Presentation of the 2020 Financial Audit:**
  - a. Liz Karle shared that she was happy to have the audit completed earlier than normal, especially given the crazy year
  - b. Heather Starzynski shared that the auditors were great to work with. Next year, NWWVT will follow best practice and will release a request for proposals.
  - c. Randy Sargent thanked Liz and the staff for their hard work. He also shared that the NWWVT Audit Committee has reviewed the materials.
  - d. Amity Baker gave a brief overview of the purpose of an audit and what the process looks like. She explained that, due to the amount of Federal funding that NWWVT receives, the organization is also subject to a Compliance Audit. Amity reviewed the Management Letter and shared the suggestions for corrections.
    - i. There were no material weaknesses found.
    - ii. There was a significant deficiency in the compliance letter due to interest rates to three borrowers that differed from the rate outlined in NWWVT's policies. Liz Karle noted that the Lending Department is involved in rectifying the issue and that an internal was in process to get a clear picture of the problem. Heather further noted that staff was completing a full loan file review and policies and procedures will be updated to prevent this issue in the future. Heather explained that the issue had to do with timing. When a bank made a change to an interest rate, by the time NWWVT received the update, it then required a loan modification on the part of NWWVT. If the customer is harmed, they are



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notified and arrangements are made for reimbursement. If NWWVT is harmed, the organization absorbs the cost.

- iii. Other findings and recommendations included improved documentation for loan assignments; corrections to the loan loss reserve calculations; improved internal controls on vacation accruals; and steps to reduce the exposure of bank funds in excess of the FDIC insured limit.
- e. Randy Sargent reviewed the historical analysis that showed 3 years of unrestricted funds for NWWVT, not including the organizations subsidiaries. He reminded the Board that revenue is dependent on projects which is why figures for 2018 and 2020 are higher. 2018 included the Northwest Neighborhood Project and 2020 included the Rental Rehab Project. Report shows that interest income is good and steadily increasing. Other highlights include:
  - i. Net surplus of \$1.4 million. This is good although the surplus is mostly on paper
  - ii. Net asset coverage of 34.4 months. This is good and above the target ratio. It is not all liquid cash but could be used to leverage assets. Heather noted that our assets need to go to work for us and we will use some of the unrestricted cash to lend.

#### **5) Financial Review:**

- a. Liz shared that Heather, Jen and Keri have been meeting to review the finances and discuss the most effective ways to present the information to the Board. The dashboard shows consolidated financials and will be shared with the Board each month. Liz reviewed the dashboard for May 2021 and shared the following highlights:
  - i. There is a lot of unrestricted cash right now. This is due, in part, to early loan payoffs. She noted that this is good for our customers but could impact our finances in future years. Heather stressed the importance of understanding what it means to be a lending organization. We may have to consider holding operating reserve for future years if we can't deploy loan funds. Additionally, the current housing market impacts lending as we can't lend if there isn't a housing stock available.
  - ii. Restricted operating funds are up due to the Rental Rehab program.
  - iii. Days Reserves Actual is good but they are reviewing what is optimal.
  - iv. The unrestricted cash to current liabilities is a bit deceiving as right now one of the current liabilities is attached to restricted cash.
  - v. The debt-to-equity ratio is good as we've been paying down debt. We have capacity to leverage net assets.
  - vi. The self-sufficiency ratio is not as great as we'd like due to current projects and the government funding that comes with them.
- b. Liz provided a budget update. The budget spreadsheet included updates such as a notes column and passthrough dollars are in bold font. Also, VCDP CARES Act funds were separated from the VCDP Tri-County Funds to reflect the actual timing of program launch. Liz shared the following highlights:



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- i. There was \$500,000 budgeted for HEAT Squad that will not be coming. The good news is that about \$400,000 would have been passthrough dollars so the impact to the bottom line is not as detrimental as would seem.
  - ii. We did receive CDFI funding. The figures were changed due to the timing of the grant. We can use 15% for staffing costs.
  - iii. There is a \$130,000 increase in funding for the Woodstove Program.
  - iv. General contracting revenues are under budget. The revenue corresponds with expenses and has been adjusted accordingly.
  - v. Interest income forecast has been revised due to early payoffs.
  - vi. There is a total revenue reduction of 18.33% and a total expenses reduction of 15.7%.
  - vii. We're forecasting a deficit of \$48,767. We do want a balanced budget but we have the funds to cover the deficit right now. Leadership is always reviewing ways to close the gap.
- 6) **Executive Director Report:** Heather referred to the Board Report included in the Board Packet and asked if there were any questions. She also shared that she is working with Nancy Gilman to review the Shared Equity Program which includes 55 properties. They have plans to update the stewardship policies and strengthen the relationship with homeowners.
- 7) **Board President Time:**
  - a. Committee Assignments were finalized for the 2021-22 year. Jennifer asked that the Board vote on the assignments because the by-laws have term limits for committee chairs. A motion was made by Jennifer to accept the committee assignments for the 2021-22 year. Peg seconded and the Board voted unanimously to accept the motion.
  - b. Jennifer did research into the question of whether we need to state a reason for entering Executive Session. There was not a clear, consistent answer so she is asking the Governance Committee to develop policies and procedures around the use of Executive Session.
  - c. There was discussion about whether to hold the August Board meeting in person. All agreed so the next Board meeting will take place at 110 Marble Street. A virtual option will be available for those that need it.
- 8) **Board of Director Comments:** Board members shared final comments. Many welcomed Melinda Humphrey to the Board.
- 9) **Executive Session:** Jennifer made a motion to enter Executive Session to discuss a personnel issue. Peg Flory seconded the motion and the Board unanimously to accept the motion.

Meeting was adjourned.