BOARD OF DIRECTORS GOVERNANCE GUIDE

RURAL DEVELOPMENT SECTION 523
MUTUAL SELF-HELP HOUSING PROGRAM

July 2025 v4

Disclaimer

A handbook for grantees of the United States Department of Agriculture (USDA) Section 523 Self-Help Housing Program developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

- *Florida Non-Profit Housing, Inc. (FNPH)*
- *LIFT Community Action Agency, Inc. (LIFTCAA)*
- *NeighborGood Partners*
- *Rural Community Assistance Corporation (RCAC)*

Funded by: *United States Department of Agriculture, Rural Development*

The work that provided the basis for this publication was supported by funding under an award with the USDA Rural Development (RD). The substance and findings of the work are dedicated to the public. The T&MA Contractors are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Government.

This handbook is designed to provide accurate and authoritative information regarding the subject matter covered. It is distributed with the understanding that the authors are not engaged in rendering legal, accounting, or other professional services. If legal or other expert assistance is required, the services of a competent professional should be sought.

All rights reserved. The text of this publication, or any part thereof, may not be reproduced in any manner whatsoever without written permission from the appropriate T&MA Contractor (refer to the chapter's Introduction for the states covered by each region). If you wish to make or distribute copies, please send a request indicating the number of copies that you wish to make or distribute, the size and type of audience to whom you wish to distribute, and the type of organization or agency that you are. Send the request to:

Region I	**Region II**
Florida Non-Profit Housing, Inc.	LIFT Community Action Agency, Inc.
P.O. Box 1987	209 North 4th Street
Sebring, Florida 33871-1987	Hugo, Oklahoma 74743
(863) 385-2519	(580) 326-5165
www.fnph.org	www.liftca.org
Region III	**Region IV**
NeighborGood Partners	Rural Community Assistance Corporation
363 Saulsbury Road	3120 Freeboard Drive, Suite 201
Dover, Delaware 19904	West Sacramento, California 95619
(302) 678-9400	(916) 447-2854
www.neighborgoodpartners.org	www.rcac.org

After receipt of consent and conditions letter you may copy and distribute the manual in terms and conditions as set and approved by the T&MA Contractor.

Table of Contents

INTRODUCTION 5
The Self-Help Housing Program 5
Rural Development 6
Rural Development Offices 6
Rural Development National Office 6
Rural Development State Office 6
Rural Development Area/Local Offices 7
Rural Development Section 502 Single Family Direct Home Loan 7
Rural Development Section 504 Single Family Housing Repair Loan & Grant 8
The 523 Self-Help Housing Technical Assistance Grant 8
Regulations 8
The T&MA Contractors 9
Self-Help Training Handbooks 9
GOVERNANCE 11
BOARD ROLES AND TYPES 13
WHAT IS A NONPROFIT ORGANIZATION? 16
BOARD OF DIRECTORS RESPONSIBILITIES 22
TYPICAL FUNCTIONS OF BOARDS OF DIRECTORS 33
ELECTIONS 34
BOARD OPERATIONS 39
GENERAL OVERSIGHT AND ASSESSMENT 47
EMPLOYING THE EXECUTIVE 52
FINANCIAL HEALTH AND STEWARDSHIP 56
RISK MANAGEMENT 62
POLICYMAKING 65
PLANNING 66
MEASURING IMPACT AND RESULTS 72
MONITORING AND STRENGTHENING PROGRAMS AND SERVICES 75
RESOURCE DEVELOPMENT 77
KNOWING THE COMMUNITY 81
ADVOCACY FOR MISSION, ORGANIZATION AND PARTICIPANTS 83

ALWAYS DO WHAT IS BEST FOR THE ORGANIZATION 85
HOW BOARDS OF DIRECTORS RELATE TO THEIR SELF-HELP HOUSING PROGRAMS 87
Appendix 1 95
Appendix 2 98
Appendix 3 100
Appendix 4 101
Appendix 5 103
Appendix 6 104
Appendix 7 105
Appendix 8 107
Appendix 9 109
Appendix 10 110
Appendix 11 112
Appendix 12 113
Appendix 13 117
Appendix 14 121
Appendix 15 122

INTRODUCTION

The Self-Help Housing Program

Self-help housing is just as it sounds, participants working to build or repair their own homes. This program is a direct application of the barn raising traditions of pioneering rural Americans. The Self-Help Program began as the Mutual Self-Help Housing method, where participants, working in groups, supply the necessary labor to build their homes, having qualified for mortgage financing to purchase land, building materials, and some subcontracted work on the more technical items. The program authority also allows for two additional methods of home repair (owner-occupied and acquisition rehab).

Regardless of the method selected, the participants must be low or very low income. At least 40% of the total participants served should be in the very low-income category. The remaining participants must be in the low-income category (see income map for details: https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf).

Mutual Self-Help Method: With the assistance of skilled staff, a group of generally 4 to 10 households is formed. The regulation requires a minimum of 4 households; we encourage a group of at least 5 households as this makes for a better program. The participants typically select lots, house plans, and apply for individual mortgage loans. While participants await loan approval, the group studies the responsibilities of homeownership, construction techniques, tool usage, safety, homeowner's insurance, taxes, home maintenance, and money management. This time is known as the pre-construction stage.

Once the mortgage loans are closed, the group begins to build under the guidance of a skilled construction supervisor. The participants must complete a minimum of 65% of the construction labor tasks; usually the more technical work such as electrical, plumbing and HVAC is subcontracted out. The construction stage typically lasts from 8 to 12 months, depending on the size of the group and other factors. Participants work during their spare time (evenings, weekends, and days off) so as not to interfere with the regular household employment.

Self-Help Rehab Method Options:

Acquisition Rehabilitation: With the assistance of skilled staff, an applicant repairs a home that they purchase. The participant applies for a loan and/or grant and once qualified, they enter into a contract to purchase a property. The property is inspected, and a scope of work is developed. This information is submitted to Rural Development for approval. Once the loan is approved and closed, the participant, under the guidance of a skilled construction supervisor, completes selected tasks from the scope of work. Usually, more technical work such as electrical, plumbing and HVAC is subcontracted out.

Owner-Occupied Rehabilitation: With the assistance of skilled staff, an applicant repairs a home that they already own and reside in. The participant applies to be in the program and then they may need to apply for a loan and/or grant. Once qualified, they provide proof of ownership and residency. The property is inspected, and a scope of work is developed. This information is submitted to Rural Development for approval. The participant, under the guidance of a skilled construction supervisor, completes selected tasks from the scope of work. Usually, more technical work such as electrical, plumbing and HVAC is subcontracted out.

Rural Development

Rural Development is an Agency of USDA. The Rural Development mission is to help rural Americans improve the quality of their lives. Rural Development helps rural communities meet their basic needs by building water and wastewater systems; financing decent, safe, sanitary, and affordable housing; supporting electric power and rural businesses, including cooperatives, and supporting economic and community development with information and technical assistance.

Rural Development has been providing funds for the Self-Help Housing Program since the late 1960s. They provide Section 523 Self-Help Housing Technical Assistance grants to eligible entities to start and implement the program. Rural Development thoroughly reviews the self-help application before a grant is awarded and will continue to monitor and provide oversight in the areas of construction and administration, through quarterly meetings, construction inspections, and participant accounts throughout the term of the grant.

In most cases Rural Development provides another important ingredient to the self-help program; construction to permanent financing at favorable interest rates in the form of a Single-Family Housing Direct Home Loan (Section 502). They are independent of private or conventional lending institutions, and the financing is directly between Rural Development and the borrower. Each applicant must qualify and obtain a loan individually from Rural Development. Rural Development's function as a lender is significant because private credit institutions in rural areas are relatively few in number, smaller, and often impose more rigid terms which can be a barrier to homeownership.

Rural Development Offices

Rural Development operates from three levels: national, state, area /local. The Rural Housing Service Administrator in the National Office and the State Directors are politically appointed – all others are federal civil service employees.

Rural Development National Office

The Rural Development National Office is responsible for developing policy, interacts with Congress for legislation, managing program funding, and much more. They also obligate and monitor all Section 523 self-help grants, maintain reports and statistics on operating self-help organizations and project needs for funding. At the national level, USDA has a separate Appeals Division that hears appeals on actions unresolved at the state level.

Rural Development State Office

Section 502 home loan funds are allocated on a state-by-state basis and obligated at the State Office level. Each state receives 502 funds based on a formula allocation calculated by the National Office. A Funding Unnumbered Letter is released annually specifying the fiscal year allocations for each housing program, set-asides, and state allocations, etc. Staff members who are key to the operation of a self-help program located in the State Offices are the:

- Rural Development State Director – Has the authority to sign grant agreements.
- Rural Housing Program Director – Typically oversees the self-help program.

- Rural Development Housing Specialist – Reviews and approves the 502 direct loans and 504 grant/loans, also approves building sites, and completes environmental reviews.

Rural Development Area/Local Offices

In most states grant monitoring has been retained at the State Office level with the Single-Family Housing Program Director, but in some cases, it has been assigned to the Area/Local Office. In any case, the Rural Development grant manager is responsible for ensuring that the grant is operated effectively and in accordance with the regulations. At this level of Rural Development, the Loan Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. They will be responsible for monitoring the 502 loans and will also be the co-signer on the participant's Supervised Bank Accounts and will process the construction draws. They are also the personnel who will convert the loans once the local jurisdiction has completed the final inspection and issued a Certificate of Occupancy.

Rural Development Section 502 Single Family Direct Home Loan

Most applicants that participate in the self-help housing program use Rural Development's Section 502 home loan program to finance their homes. Section 502 loans are only available for homes in eligible rural areas as defined by USDA (https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfpd). In order to qualify for a Section 502 loan, prospective self-help applicants must meet Rural Development income eligibility requirements as low-income or very low-income (see the income map for details: https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf). They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure a mortgage from other sources. The income limits, developed in consultation with the U.S. Department of Housing and Urban Development, are subject to local variation and are published annually. Current information on income limits and eligibility requirements for Section 502 loans is available at RD local offices or online (links above).

The repayment period for the Section 502 loan is either 33 or 38 years, and the interest rate is between 1% and the current market rate. The actual rate of interest the borrower pays depends on the borrower's income, as does the loan term. If a borrower is eligible to pay less interest than the market rate, the borrower then receives a subsidy called "payment assistance." The amount of payment assistance a borrower receives is determined by the loan amount, loan period, and the household income. The payment is either determined based on 24% of their monthly income or the loan at a 1% interest rate, whichever is the higher of the two, but can never be higher than the loan at full note rate. The assistance makes up the difference between the full loan interest rate and the interest rate the participant pays. A portion of this subsidy must be repaid at time-of-sale or loan payoff based on equity, time, etc. This process is called subsidy recapture.

Some other benefits of a 502 loan are that there is no requirement for a down payment, closing costs can be included in the loan (up to the appraised value with authorized exceptions to include the tax service fee, homeownership education fee, appraisal fee, and any required contribution to an escrow account for taxes and insurance (excluding the first-year insurance premium)) and there is no requirement for private mortgage insurance. Rural Development can offer a moratorium on loan payments for up to two years if a borrower's income decreases by at least 20% by no fault of their own.

During construction, Section 502 funds are advanced from the Rural Development finance office in St. Louis and disbursed by the local offices to the self-help grantee. Grantees prepare the drawdowns and checks for each participant's account as needed to purchase materials for different phases of construction. This funding can be used for either new construction, acquisition rehab and in certain circumstances, owner-occupied.

Rural Development Section 504 Single Family Housing Repair Loan & Grant

Also known as the Section 504 Home Repair program, this provides loans to very-low-income homeowners to repair, improve or modernize their homes or grants to elderly (62 or older) very-low-income homeowners to remove health and safety hazards or remodel a dwelling to make them accessible to a household member with a disability. The maximum loan is $40,000 and the maximum grant amount is $10,000. This funding could be used with the owner-occupied rehab program, or other funding could be sought.

The 523 Self-Help Housing Technical Assistance Grant

For organizations to operate a self-help housing program, Rural Development provides technical assistance (TA) grants. The TA grant is for a period of up to two years, and is available to nonprofit organizations, federally recognized Tribes, and units of state or local government. The amount of grant funds an organization can receive is based primarily upon how many houses they build or repair in a grant period. For new construction programs, an organization can receive up to 15% of the average cost of a similar new home in their area, for every home they are planning to build. Check with your Contractor for other methods of determining grant amounts for repair programs.

Allowable uses of Section 523 technical assistance grant funds include:

- Recruit eligible households to participate in the self-help program.
- Hold training meetings with participants on the self-help process and homeownership topics such as mortgages, insurances, taxes, and maintenance.
- Assist participants to obtain and develop building sites; obtain or create Rural Development-approved house plans and help participants select theirs.
- Help participants bid and select building supplies and subcontractors; train participants in construction techniques and provide construction supervision.
- Supervise participant Section 502 loan accounting, including:
    - Totaling invoices and itemizing payments to suppliers and subcontractors.
    - Maintaining records of deposits and withdrawals.
    - Preparing checks (accompanied with invoices and statements).

Disallowed activities using Section 523 Technical Assistance grant funds are:

- The use of any TA funds to pay staff to provide labor on the houses.
- Purchasing any real estate or building materials for participating families.
- Paying any debts, expenses or costs which should be the responsibility of the participating families.
- Any lobbying activities as prohibited in 2 CFR 200 subpart F.

Regulations

The main regulation that governs the Self-Help Housing Program, RD Instruction 1944-I, can be downloaded from the following web-link: https://www.rd.usda.gov/files/1944i.pdf. Additionally, USDA Rural Development provides an overview and guidance for the Self-Help

Housing Program in the USDA RD Handbook 3550 Appendix 13. Appendix 13 guidance includes an overview of the following:

- Overview of Self-Help Housing
- Application Processing Priority
- Self-Help Loan Application Packaging
- Environmental Reviews
- Appraisals
- Loan Approval and Closing
- Selecting a Contractor
- Construction Documents
- Sub-Contracts
- Administering Construction Funds
- Self-Help Inspections
- Post Closing Leveraged Loans/Grants
- Participant Withdrawal
- Construction Closeout
- Self-Help Take-out Loans
- Other Loan Financing
- Rural Eligibility Reviews

The T&MA Contractors

Rural Development contracts with four Technical and Management Assistance (T&MA) Contractors to assist operating and potential self-help housing grantees. This assistance ranges from staff and board training, grant management, and development of applications to 502 loan program and processing training, newsletters, and conferences, among other services. These services are provided at no cost to the grantee.

The four contractors are:

- Florida Non-Profit Housing – covering Region I, the Southeast, including the states of AL, FL, GA, MS, NC, SC, TN, Puerto Rico, and the Virgin Islands.
- LIFT CAA fka Little Dixie CAA – covering Region II, the South-Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, and WY.
- NeighborGood Partners fka NCALL – covering Region III, the Northeast and Midwest, including the states of CT, DE, IA, IL, IN, KY, MA, MD, ME, MI, MN, NH, NJ, NY, OH, PA, RI, VA, VT, WI, and WV.
- Rural Community Assistance Corporation (RCAC) – covering Region IV, the Western US, including the states of AK, AZ, CA, CO, HI, ID, MT, NV, OR, UT, WA, and the Western Pacific.

Self-Help Training Handbooks

The T&MA Contractors have produced a variety of training materials for the purpose of assisting grantees and training grantee staff. The following is a list of the available self-help handbooks. Please contact your T&MA Contractor for a copy or for more information.

- Accounting for Individual Borrower 502 Loan Accounts Handbook
- Acquisition and Owner-Occupied Rehab Handbook
- Board of Directors Governance Guide

- Construction Supervisor Handbook
- Custodial Accounting for Mutual Self-Help
- Feasibility Handbook
- Financial Management Handbook for Federally Funded Organizations
- Group Coordinator Handbook
- Orientation Handbook
- Orientation for Grantees PowerPoint
- Pre-Construction Meeting Handbook
- Program Director Handbook
- Section 523 Self-Help Housing Application Training PowerPoint
- Section 523 Technical Assistance Grant Application Handbook
- Self-Help 502 Loans Guidebook
- SHARES Handbook

GOVERNANCE

Definition and Importance of Governance

Governance is the process of providing strategic leadership to an organization. It entails setting direction, making policy and strategy decisions, overseeing, and monitoring organizational performance, and ensuring overall accountability, including fiduciary responsibilities and duties. Effective governance is integral to success, sustainability, and long-term effectiveness of an organization. Studies show that high performing and successful organizations are usually the beneficiaries of quality governance. On the other hand, organizations that fail often do so having poor governance. Usually, organizations of all types and varieties have a governance body such as a Board of Directors, Commissioners, Council, etc.

Organizations Eligible for Self-Help Housing

The types of organizations eligible to apply for and receive Section 523 Technical Assistance grants from USDA Rural Development (RD) for self-help housing are set forth in Instruction 1944-I. 1944-I is the guiding instruction for Self-Help Housing and should be read, understood, and kept available by all involved in the program.

Here is how the 1944-I instruction describes organizations eligible for self-help housing:

1944.404 Eligibility.
To receive a grant, the applicant must:

(a) Be an organization as defined in 1944.403(j) of this subpart. (While it lists other capacity and experience that is necessary, for the purposes of this section, we are interested in organizational eligibility).

1944.403 Definitions.
(j) Organization.

(1) A State, political subdivision, or public corporation (including Indian tribes or Tribal corporations); or

(2) A private nonprofit corporation that is owned and controlled by private persons or interests and is organized and operated for purposes other than making gains or profits for the corporation and is legally precluded from distributing any gains or profits to its members.

1944.404 Eligibility.

(d) If the organization is a private nonprofit corporation, be a corporation that:

(1) Is organized under State and local laws.

(2) Is qualified under Section 501 © (3) of the Internal Revenue Code of 1986.
(3) Has as one of its purposes the production of affordable housing.
(4) Has a Board of Directors which consist of not less than five. For smaller organizations (i.e. less than 5 staff members) a board of 3 is authorized. (Revised 12-12-19, PN 532.)

Examples of the Variety of Eligible organizations

While the majority of self-help housing grantees are nonprofit corporations qualified under Section 501c3 of the IRS Code, a variety of organizational types and variations currently operate self-help housing. These include:

a. Housing Development or Assistance Corporations – which represent the majority of nonprofit 501c3 organizations currently operating self-help housing. These are private, nonprofit organizations with a Board of Directors of their choosing. They are typically incorporated in the state in which they operate.

b. Community Action Agencies – which are public and private nonprofit corporations overseen by their respective state and the US Dept. of Health and Human Services. Unique to CAA's, their Boards of Directors typically include one-third low-income community members, one-third public officials, and one-third private sector leaders.

c. Habitat for Humanity chapters – which are private nonprofit 501c3 corporations that are affiliated with Habitat for Humanity International and have independent Boards of Directors.

d. Units of Local Government, political subdivisions – which could include, but not be limited to, a unit of local government such as a Town, City, County, Borough, etc. It could also include an Association of local governments. These would be governed by Commissions, Councils, Boards, etc.

e. Public Housing Authorities – which are not-for-profit organizations chartered under state law and recognized by the US Dept. of Housing and Urban Development (HUD). They usually serve a Town, County, City, or State. They are governed by a Board of Commissioners appointed by the chief executive of the political jurisdiction within which the PHA is established.

f. Indian Tribes-- which are federally recognized, served by the US Bureau of Indian Affairs, and usually governed by a Tribal Council. A Tribal Corporation, entity or housing authority may be incorporated by an Indian Tribe for the purpose of providing certain services to the Tribal community.

Principles of Governance are Applicable to All Entities

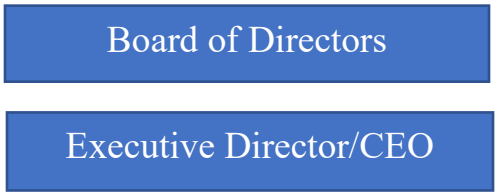
All nonprofit organizations and the variations mentioned above such as Housing Development Corporations, Community Action Agencies, Public Housing Authorities, Units of Local Government, and Indian Tribes all have some form of governance structure such as a Board of Directors, Board of Commissioners, City or County Council, etc. The principles of quality governance presented in this handbook, while designed primarily for nonprofit 501c3 organizations, are applicable to the variety of entities eligible to apply for and receive a TA Grant from Rural Development. Some may have additional requirements instituted by state law. While there may be some modifications or accommodations in use for the eligible entity variations, the general principles and the grant requirements are applicable. If an organization differs from the RD eligibility instructions, it is recommended that an eligibility determination be sought from RD before spending time and resources to apply.

For the purpose of this Handbook, Boards of Directors will be referenced as the governing body of self-help housing organizations.

BOARD ROLES AND TYPES

The Board of Directors and its Role in Governance

Governance begins with the Board of Directors. The Board of Directors of a nonprofit organization is also often referred to as a Board of Governors, Trustees, or Stewards. As such the Board of Directors is the primary group of people entrusted with leadership and accountability at the top of the organizational structure of a nonprofit corporation. The Board of Directors sits above the highest paid staff position of the organization.



Unlike a for-profit company, where the Board of Director's purpose is to assure profitability and monetary returns to its owners and shareholders, the nonprofit Board of Director's purpose is to achieve and fulfill the organization's mission. Empowered by the Articles of Incorporation and Bylaws, the nonprofit Board of Director's role and legal obligation as a body is to exercise the duties of care (diligence), loyalty, and obedience while overseeing the management, finances, and results of the organization. This happens by making decisions regarding matters of policy, direction, strategy, and governance.

Types of Boards and How They Function

There are a variety of Board types and styles that exist, and they have differing names. The following list is the best descriptor available currently:

Working Board	**Managing Board**	**Governing Board**	**Ratifying Board**	**Failing Board**
No CEO, maybe no acting director	*Weak/inexperienced director, needs help running org*	*Competent CEO, experienced staff*	*Hire a good CEO & stay out of their way*	*Members resign, high turnover, fragmentation*
New start-up or small org, may not be a 501c3 yet	*Emergency situation or between CEOs*	*Clear division of duties*	*Board approves what the director brings*	*Financial mess, consumed by cash flow pressure*
Board really doing the work of the CEO as a team	*Board knows a lot about the work, assigns tasks to CEO*	*Focus on Board work, concerned with values*	*Organization OK, but Board in decline*	*Relational strife, distrust among staff & Board*
Board heavily involved in the work	*Board is hands-on and proud of it*	*Up-to-date policies in writing*	*Focus on stability, status quo*	*Looking to the past, way behind staff*
Focus on day-to-day operations	*Focus on administration & operations*	*Future-oriented, operates on strategic level*	*Hands off, getting lazy, out of touch, unaware*	*Not strategic, crippled by fire-fighting*
Immediate time horizon	*Intermediate time horizon*	*Primarily policy delegates operations to CEO*	*Stale policies, little accountability, no term limits, reunion of old friends*	*Confused, aren't sure what to do*
Primary role of Board is recruiting volunteers & raising funds	*Primary role of Board is making decisions*	*Primary role of Board is setting policy*	*Primary role of Board is rubber stamping CEO initiatives*	*Primary role of Board is ensuring survival*

Some sources simplify the Board types/styles down to three:

Working Board – This is a Board that participates heavily in the day-to-day operations of the organization. This might be the case at a very small or very new organization where a "Steering Committee" who helped build the organization moves into the role of the Board. In lieu of staff or much staff, the Board carries out the operations.

Policy (or Governance) Board – A policy Board or Governance Board is one that spends little time performing operational duties and works primarily on governance and policy. It typically delegates operations to an Executive who hires staff.

Hybrid Board - This is a Board that performs some operational work (such as writing grants) but usually spends the majority of their time performing governance and policy tasks. As such a Hybrid Board takes some characteristics from the Working Board model and others from the Policy or Governance Board model.

You may see some characteristics of your Board of Directors in several of the above Board of Director types. That is typical as Boards evolve and their style evolves, often becoming a hybrid of different types, hopefully with the best characteristics of each.

Characteristics of Exceptional Boards and Common Warning Signs

Characteristics of Exceptional Boards	**Common Mistakes and Warning Signs**
Understand board and fiduciary duties	Do not understand role or responsibilities
Establish and review strategic plans	Do not do strategic planning
Take time to engage in strategic thinking	Do not take time to look ahead in meetings
Adopt/adhere to a Conflict of Interest Policy	Have no policy and have conflicts of interest
Monitor financial performance	Don't receive regular financial reports
Measure effectiveness and impact	Don't receive program performance reports
Design meetings to matter and accomplish	Meetings are lapse, disjointed, torturous
Orient new board members	New members are left to discover on their own
Invest in ongoing board development	Board stagnates
Board reflects on its own performance	Board does not assess itself
Fosters, supports, empowers its executive	Micro-manages executive and staff
Deals with problems and hard questions	Avoids difficult situations which linger

Operate with current governing documents	Outdated, inconsistent Bylaws and documents
Board speaks with one voice	Airs disagreements outside the boardroom
Variety of skills, representation, demographics	Failure to cultivate board diversity
Recruit and select board members with care	Take whoever will say yes
Does annual performance review of executive	Does not measure executive effectiveness

The most impactful organizations typically have superior nonprofit Board governance!

WHAT IS A NONPROFIT ORGANIZATION?

Definition and Purpose of a Nonprofit Organization

Nonprofit organizations are generally organized for educational or charitable purposes in order to serve the "public good". They are formed by incorporators and incorporated under state laws and approved by the state's Secretary of State and its taxing authority. The nonprofit corporation has a board of directors and officers, but no shareholders as it is a non-stock organization. No stock or dividend transactions are made in a nonprofit setting. These board members and officers are responsible for prudent management and oversight of the organization and its assets. In some instances, an organization may have a broader membership from which board members are elected. Contrary to for-profit corporations, the board members and officers may not receive any distribution (money) from earnings or compensation for their services, although some reimbursements, e.g. travel and training, may be allowed. Board members and officers give their time voluntarily and expect the services of the corporation to have the desired impact.

The product of a nonprofit corporation is typically a service needed by society or in response to a community need. For example, nonprofit housing development corporations are usually organized to improve housing conditions for low-income households. The board of directors and officers establish policy and are in essence "the owner" of the corporation. In order for contributions to a nonprofit corporation to be deductible as charitable gifts on federal income taxes, the corporation must apply to the Internal Revenue Service and state taxing body and receive tax exempt status.

Nonprofit Corporate Documents (Articles of Incorporation and Bylaws)

A nonprofit corporation operates under the law of the state in which it is incorporated. It becomes a legal entity once it files its Articles of Incorporation. The Articles of Incorporation or Charter as sometimes referred, state the corporation's purpose or purposes. In essence, these purposes are the corporation's "reason for being." Rural Development in its 1944-I instructions indicates that for a nonprofit corporation to be eligible for self-help housing, its Articles of Incorporation must list as a purpose "the production of affordable housing." Additional authority to own, operate, or sell real estate may be required under state law. The programs and services offered by a nonprofit should align with the purposes in its Articles of Incorporation, as should its stated Mission. The Articles of Incorporation may be formally amended, and if what an organization does changes, this is advised so the Articles, Mission, and actual services are aligned and compatible.

The organization's Bylaws are usually developed at the time of incorporation. This document establishes the standards of operation for the Board of Directors, Officers, and Membership (if applicable) of the nonprofit corporation. The Bylaws should be reviewed annually and should be consulted regularly, especially before elections. The Bylaws may be amended.

Bylaws typically include the following operational topics:

1. Name of Corporation and Statement of Purpose.
2. Membership Structure if applicable – classes, terms, dues.
3. Board of Directors Structure – size, terms of office, term limits, elections, attendance requirements, removal for cause, filling interim vacancies.
4. Officers – title, role and responsibilities, elections, who elects officers, terms and limitations, removal for cause, filling interim vacancies.
5. Conflict of Interest Policy.
6. Executive Committee – composition, role, limitations. It is important that the Executive Committee not become a de facto Board.
7. Committees – standing committees, committee charges and purposes, size and composition, ability to include non-board members, ability to create ad-hoc committees as needed.
8. Meeting Guidelines and Quorum – Notices, how often, authorize electronic meetings, establish a quorum by which business can be transacted.
9. Indemnification Policy.

10. Amendment Process.

It is helpful when amending Articles of Incorporation or Bylaws to have guidance from an attorney knowledgeable in the process and subject. It is also important to keep the corporate documents relevant and usable, and most importantly that they are followed. Some nonprofit organizations are membership organizations with a broader membership from which its Board of Directors is elected. The Bylaws for these organizations should define and describe membership and Board of Directors separately.

Other entities that are not 501c3 organizations that are eligible to apply will have fundamental organizational documents such as a charter or state law that provides documents similar to Bylaws by which to operate. These should be kept relevant, up to date, and be followed by the organization's commission, council, Board, etc.

Mission and Vision

A Mission Statement describes the organization's reason for its existence and therefore should be developed by the Board of Directors. It describes the organization's role in bringing about desired change in the sphere that it operates in. Instead of being profit driven, a nonprofit organization is designed to be Mission-driven! The Mission provides direction and impetus.

Typical Mission Elements:

Who is served?

What needs exist and how do the programs/services address those needs?

How are the services carried out?

Where are the services offered and delivered?

What role does the organization play?

These are some sample missions of organizations you may have heard of:

Smithsonian - *The increase and diffusion of knowledge.*

The Humane Society - *Celebrating Animals, Confronting Cruelty.*

Heifer International - *To work with communities to end hunger and poverty and care for the Earth.*

Teach for America - *is growing the movement of leaders who work to ensure that kids growing up in poverty get an excellent education.*

> **AARP** - *To enhance quality of life for all as we age. We lead positive social change and deliver value to members through information, advocacy, and service.*

The Vision Statement is different in that it describes the desired state. What would your sphere of operation look like optimally? If the organization accomplishes everything it sets out to do what would your customers and service area be like? The Vision generates enthusiasm, commitment, and a course of action.

Mission and Vision work is best done during strategic planning where the Board has set aside time to look towards the future.

Tax Exempt Status

Nonprofit organizations are not automatically tax exempt when they are incorporated. The new corporation must file for federal tax-exempt status with the Internal Revenue Service. The IRS will review the corporation's Articles of Incorporation, purposes, and Application for Recognition of Exemption, Form 1023, before yielding its determination. It may be beneficial to utilize an attorney who has tax-exempt corporation experience to complete the application and submit it under their letterhead. Typically, nonprofit corporations are determined to be tax-exempt by the IRS because their purposes are educational and charitable, and their charters indicate that no profit will be earned and that no earnings will be distributed to its members.

Upon approval by the IRS for an organization's tax-exempt status, the IRS issues a determination letter indicating such under the applicable code, usually 501c3 which indicates the organization is exempt from paying federal taxes. Most funders of your organization will want a copy of the IRS Determination Letter as their proof that a contribution to the organization is in fact tax-exempt.

Tax exemption does not mean the organization is not accountable. On the contrary, a major responsibility for the tax-exempt organization is the completion of IRS Form 990 annually, which is lengthy and complicated. Most of the numbers to be entered will come from the organization's audit and there are many yes/no questions, as well as some requests to describe your policies. Many organizations contract with their audit firm to complete the 990. The IRS Form 990 creates a level of accountability that is greater than their for-profit counterparts.

Applications for other state or local tax exemption determinations may be possible dependent on their regulations.

The IRS does impose a restriction on political lobbying by tax-exempt nonprofit corporations. This will be discussed in the next section.

Lobbying

A mistaken public perception existed regarding nonprofit organizations and lobbying. The belief that non-profit organizations are not allowed to lobby probably has its roots in the prohibitions against nonprofits participating in political activities. This is an unfortunate misunderstanding, as lobbying can and should be an option for organizations whose missions would be furthered by acting to change the social environment. Although an organization cannot use federal funds for this purpose, lobbying can be done without violating IRS regulations when non-restricted, non-program funds are used.

Lobbying is prohibited with Section 523 grant funds. However, there is a difference between lobbying and advocacy or program education. These other activities can be funded with 523 grant funds and they are considered later in this handbook.

In 1990, non-profit organizations were given a choice about lobbying in the Internal Revenue Code (IRC). Previously there was a provision in section 501c3 that required that "no substantial part of the activities of [the organization] is carrying on propaganda, or otherwise attempting, to influence legislation, [except as otherwise provided in subsection (h)]." This section contained no definition of what was considered to be "influencing legislation" or a "substantial part." If an organization was audited by the IRS, it would be up to the auditor or some precedent to determine if the organization was in compliance with those laws. Dependent upon the interpretation of "substantial" an organization could lose their tax-exempt status.
Those days of uncertainty are over when organizations decide to take the election under the little known 501(h). This regulation clarifies what is considered to be lobbying and how much of an organization's budget can be spent on this activity. When this election is taken, the time and money spent on lobbying activities must be tracked and recorded, but it could prove to be beneficial in the long run.

The formula schedule for calculating lobbying limits is found in Part II-A of IRS Form 990. Those limits are based on the amount in an organization's budget that is considered "exempt purpose expenditures." An expenditure is considered an "exempt purpose expenditure" if it is paid or incurred by an electing organization to accomplish the organization's exempt purpose. The IRS uses the following schedule in Part II-A to calculate limits on lobbying expenditures based on the organization's exempt purpose expenditures (EPE):

If the EPE amount on line 1e is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e.
Over $500,000 but not over $1,000,000.	$100,000 plus 15% of the excess over $500,000.
Over $1,000,000 but not over $1,500,000.	$175,000 plus 10% of the excess over $1,000,000.
Over $1,500,000 but not over $17,000,000.	$225,000 plus 5% of the excess over $1,500,000.
Over $17,000,000.	$1,000,000.

Grassroots lobbying maximum is 25% of the calculated overall lobbying nontaxable amount.

As an example, organizations with exempt purpose expenditures of the following would have the following lobbying maximums:

	$500,000	$1,000,000	$3,000,000	$5,000,000
Max. lobbying amount:	$100,000	$175,000	$300,000	$400,000
Max. grassroots lobbying Amount:	$25,000	$43,750	$75,000	$100,000

If an organization decides to make a 501(h) election, it is done by filling out a simple form, (Form #5768) which takes effect in the organization's fiscal year in which it is filed. Once filed, the organization continues to file IRS Form 990 annually. If an organization has elected to claim under 501(h), Part VI-A of Form 990 must be completed, showing how much money was spent on lobbying. If lobbying expenditures exceed the limits, a tax on 25% of the excess will be imposed. An organization's tax-exempt status will not be lost unless, over a four-year averaging period, they exceed the limits by 150%. Reasonable records should document expenditures.

If the organization has chosen not to elect under 501(h), Part III of the 990 asks the filer to report any attempts "to influence national, state, or local legislation, including any attempts to influence public opinion on a legislative measure or referendum." In this case the organization must list "the total expenses paid or incurred in connection with legislative activities" and "attach a statement giving a detailed description of the legislative activities and a classified schedule of the expenses paid or incurred." For a non-elective organization that is found to have a substantial

part of its activities to be influencing legislation, a 5% tax on all lobbying activity is imposed and may be imposed retroactively for all years in which lobbying took place.

Making the 501(h) election should not increase IRS scrutiny of an organization's activities and the decision to make the election can be reversible if an organization decides they would rather not continue to do so. Overall, it might be a good idea for non-profit organizations to investigate this possibility. The Board may want guidance from an attorney or CPA to help make this decision. Under either method, no federal funding may be used for lobbying, as only non-restricted funds may be used for that purpose.

BOARD OF DIRECTORS RESPONSIBILITIES

The Board of Directors - Authority and Responsibilities

The Board of Directors is the governing body of a nonprofit corporation and as such has the ultimate responsibility and accountability for the conduct and the performance of the organization. While Boards may delegate the work of the organization to executives or employees, they cannot delegate their responsibility for that work. Nonprofit corporations are authorized by a state government to be formed for the purpose of undertaking a public service and the law requires that nonprofit corporations have a governing body to be legally responsible for the organization and to oversee all aspects of it. The governing body, the Board of Directors, as a collective (one body, not as individuals) has authority and the accountability for the work of the organization. More and more, nonprofit Boards of Directors are accountable for the quality of their governance and oversight of their organizations.

Core Responsibilities of the Board of Directors

1. Determine the organization's mission, vision, and values.
2. Recruit and select the organization's chief executive.
3. Support and evaluate the chief executive.
4. Assure the organization actively plans for its future.
5. Monitor and strengthen the programs and services of the organization.
6. Ensure the organization has adequate financial resources to fulfill its goals.
7. Protect assets, ensure financial health, and provide financial oversight.
8. Formulate and approve necessary policies.

9. Build a competent Board of Directors and assess its effectiveness.
10. Ensure legal and ethical integrity.
11. Enhance the organization's public standing.

Duties Created by the Fiduciary Relationship (Care, Loyalty, Obedience)

The nonprofit Board of Directors and its individual members have the legal responsibility to provide the following three duties.

Duty of Care: The duty of care describes the level of competence, attention, and diligence that is expected by a Board member. It is commonly expressed as care or judgement that a prudent person would exercise when making decisions, by acting in good faith with what is believed to be in the best interest of the organization.

Duty of Loyalty: The duty of loyalty is a standard of faithfulness which requires a Board member to give undivided, unconflicted allegiance when making decisions that impact the organization. Board members will authorize transactions which will achieve the best possible outcomes or terms for the organization. Board members are constrained from participating in discussions and decisions where they have a conflict of interest.

Duty of Obedience: The duty requires obedience to the organization's mission, bylaws, and policies. Board members may not act in any way that is inconsistent with the central goals of the organization and must abide by the public trust that donated funds will be managed to fulfill the organization's mission.

Governance Principles

The following are some well-established and accepted principles of quality governance. These are typically thought of for Policy Governance types of Boards of Directors as opposed to Working Board scenarios:

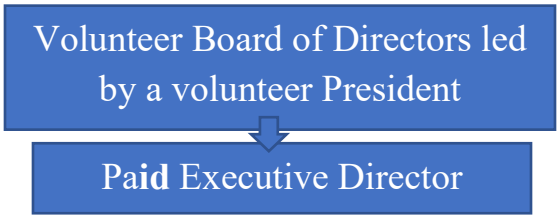
1. The Trust in Trusteeship. The Board should be the steward or trustee of the organization not only in the often described financial and legal sense, but also on behalf of all stakeholders, including customers or others to whom the Board has responsibility.
2. The Board speaks with "one voice" or not at all. In order to lead, the Board must have a single voice. While differences on a Board are expected, once a decision is made by vote,

all parties on the Board should accept that the Board has spoken and that its decision should be implemented and articulated as decided.

3. Focusing on Ends or Outcomes should be a primary duty of governance. The ends or outcomes are the organization's reason for existence. Therefore, it is important that the Board address the mission aspect of: what benefit or what good? For whom? At what cost?
4. Board decisions should often be policy decisions. Rather than intervening in operational or day-to-day business and decisions, the Board should focus policy development and implementation in areas such as Board responsibility for visioning and accountability, the Board and staff linkage, expectations of the executive, and policies that deliver and measure the ends or outcomes.
5. The Board should define and delegate. The Board should create policies and define expectations and delegate tasks to the Executive.
6. The Board must forge a linkage with the Executive (management) that is empowering and safe. The most important relationship within an organization is that between the Board and the Executive. The Board delegates the day-to-day operations and decisions to the Executive and also holds the Executive's performance and resulting ends and outcomes accountable.
7. Performance of the Executive must be monitored rigorously. The performance of tasks delegated to the Executive should be monitored and measured according to the expectations and any limitations that have been set forth and agreed upon.

Board and Chief Executive Structures

Structure A: The long-time traditional Board and Executive structure for nonprofits is an all-volunteer Board of Directors which employs a paid Executive Director who leads operations for the organization. This structure is listed below.



Structure B: More recently, another Board and Executive structure is being used which mirrors more of a for-profit look. That is having a President/Chief Executive Officer who is a non-

voting, ex-officio (appointed, not elected) member of the otherwise volunteer Board. In this case the chief volunteer officer who presides over the Board is the Board Chair. The President/CEO leads operations for the organization, but also has a role on the Board governance structure.

> Some volunteer Boards of Directors include the paid President/CEO on the Board in a non-voting, ex-officio role. In this case the Board Chair presides over the Board.

Both structures exist today. With structure B, it is possible for the lines to blur if the President/CEO exerts too much weight within the Board of Directors, and it can sometimes make evaluation of the CEO awkward because of their role of serving on the Board.

Officers and their Responsibility

The officers of President and Vice President are typically used in Board/Executive structure A. The officers of Chair and Vice-Chair are typically used in Board/Executive structure B. The President role has the greatest authority as the highest officer in the organization. While the Chair presides over the Board of Directors, it would be difficult to say they are the highest officer of the organization, because of the unique Board and Executive role of the President/CEO.

The **Chair** oversees and presides at board and executive committee meetings and calls special meetings as necessary. S/He works with the executive to prepare board agendas, assists with new member orientation, and appoints all committee chairs. The Chair coordinates the annual performance evaluation of the executive, oversees the search process for a new executive, and oversees board self-assessments. The Chair must be fully versed in all activities of the corporation and act as an alternate spokesperson for the organization. The **President** has the same duties as Chair, but they run deeper as the President usually signs Resolutions and documents and are viewed as the highest officer within the organization.

The **Vice Chair** shall perform all of the duties of the Chair in his/her absence. The Vice Chair should attend all meetings, be well versed in all of the affairs of the corporation, serve on the executive committee, carry out special assignments as requested by the Chair, understand the

responsibilities of the Chair, and participate as a vital part of Board leadership. The **Vice-President** has the duties of a Chair, but should they be called on to fill in for the President, their role is deeper as described above.

The **Secretary** of the corporation is responsible for keeping accurate and complete minutes of the corporation's meetings. These minutes should record all actions taken at board meetings, all fiscal reports, all corporate resolutions, and all motions and votes taken by the board. The Secretary or staff designee is responsible for sending out advance notices of board meetings. The Secretary should attend all meetings, serve on the executive committee, ensure the safety and accuracy of all board records, and be a signatory for important documents for the corporation.

The **Treasurer** shall work with the Chief Executive and Chief Financial Officer to ensure that appropriate financial reports are made available to the Board at its meetings and on a timely basis. The Treasurer should make financial reports at all board meetings. The Treasurer shall understand financial accounting for nonprofit organizations and must be aware of the financial system in place and the financial operation of the corporation. S/He must ensure that all monies in the name of the corporation are deposited and protected according to guidelines set forth in the corporation's bylaws and financial manual. The Treasurer serves on the executive committee, chairs a finance committee, and must be constantly aware of the financial health of the corporation.

Committees

Boards of Directors engage in much of their work as a full group as members work together as a team to accomplish the responsibilities of the Board. Most nonprofit Boards also create committees and task forces to help the Board do its work. As such, committees and task forces are part of the governance system of the organization. Permanent committees are often referred to as "standing committees." Examples of standing committees could include Executive and Nominating committees. Ad hoc or limited term committees or task forces are appointed to accomplish a specific task or limited term effort. Board committees are often comprised entirely of Board members, but on occasion when outside expertise and knowledge are required, non-Board members could serve. In the case when a non-Board member(s) serves on a committee, a Board member will typically chair the committee. Sometimes standing committees and their

purpose and role are described in the organization's bylaws. Where that is not the case, it is important to have the purpose and role of a committee described in the minutes or a separate governance document. Committees typically report their recommendations or findings at meetings of the Board of Directors.

For organizations with standing committees, the following are among the most common:

1. Executive Committee: This most common committee is usually comprised of officers, but sometimes may include other Board members, based on the bylaws. It usually has the authority to act on behalf of the Board between Board meetings and to address emergency situations. It is important that Executive Committees do not usurp authority from the full Board of Directors and make the Board less relevant than the center of governance.

2. Nominating Committee: This committee is responsible for recruiting candidates for Board and committee membership and preparing a "slate" of candidates or nominees for consideration and action by the full Board of Directors at annual elections and in between elections when vacancies occur. This committee usually nominates officers as well. It can oversee new member orientation, member self-assessments, Board self-assessment, and training and development programs for the Board.

3. Fund Raising or Development Committee: This committee is responsible for working with the staff and Board to organize and implement the organization's fund-raising efforts including solicitation of grants, activities, and events.

4. Finance Committee: This committee has an oversight of the organization's use of its financial resources. This may include the development of a budget to allocate the organization's funds, financial planning, and monitoring financial performance. It typically develops financial policies for Board action. The Finance Committee may review the organization's independent audit and the IRS Form 990 unless there is a separate Audit Committee.

5. Personnel Committee: This committee is usually responsible for planning, monitoring, and overseeing the organization's use of its human resources. As such, this committee

will develop and maintain personnel policies approved by the Board including policies guiding employee compensation and benefits, evaluation of the Executive, and handling grievances. This committee may be responsible for Executive evaluation, as could the Executive Committee.

6. Program Committee: Sometimes an organization's Board of Directors may have a committee to monitor and oversee the systems for delivery of programs and services to clients/customers. The goal is to ensure services are timely, efficient, and effectively address the needs they are supposed to ameliorate. This committee could meet with interest and customer groups in an effort for program development and enhancement.

Committee work should not interfere with the oversight responsibilities of the full Board of Directors. Nor should committees interfere with operations or interfere with the role of the Executive who in charge of operations.

Other committee types or ad hoc committees could include Audit Committee, Bylaws Committee, etc. Task Forces can be appointed to address opportunities or problems as well. In some cases, the Executive may be asked to assign staff to assist with the work of the committees. In no case should the Executive or assigned staff dominate or steer committee discussions, findings, or recommendations. Committee work will often be strategic in nature, looking towards the future of the organization.

Delineation of Roles and Responsibilities

The Board of Directors is ultimately responsible for the organization. In order to carry out the mission of the organization, the Board delegates authority to a paid Executive, whose role it is to lead organizational operations. Since the Board hires the Executive, it must oversee and evaluate the Executive's work. In order to have proper oversight and to be able to evaluate the Executive, the Board develops certain policies and must be fully aware of the fiscal and programmatic actions of the organization. The Executive is responsible for the overall daily operation of the corporation's programs. This involves planning to achieve goals, administering the programs, interpreting policies as set by the Board, monitoring daily operations, allocating resources within budget constraints, and reporting to the Board. The Executive, in turn, delegates responsibilities to the staff.

The Board and the staff each have their roles to play. Each should understand and respect its respective role and not infringe upon the role of the other. This is done through a clear delineation and delegation of authority.

Typical Delineation of Roles

Board of Directors

- Governance of Organization
- Mission & Vision development
- Financial management & oversight
- Policy determination
- Hiring and supervising Executive
- Assure resources to achieve goals

Executive

- Manage daily operations
- Hiring and supervision of staff
- Deliver programs & services
- Support Board/committee work
- Applying policies consistently
- Liaison with stakeholders

Board and Executive Together

- Strategic & long-range planning
- Envisioning programs and services
- Resource development work
- Suggestions for new policies & plans
- Impact & outcomes that match goals
- Community relations

Corporate Liability and Conflicts of Interest

Board members not only need to know their responsibilities, but also their liabilities in the eyes of the law. The "corporate shield" in most cases, protects board members, but they may be held personally liable in certain areas of responsibility if they fail to act with reasonable care. A corporation is recognized by the law as a legal entity and, as such, can sue and be sued, complain and defend, just as an individual.

The Board of Directors are fiduciaries, or trustees, entrusted with the management and oversight of the corporation. Often, lawsuits against the corporation and board may be brought forth for unfair employment practices, failure to supervise staff properly, failure to maintain financial controls, or reduction in levels of service when such reductions appear to discriminate against a geographic area or specific population. The fiduciary or holding in trust concept imposes some liability upon the directors. However, if they can prove that they acted in good faith and with due diligence, they will not be held liable as a group or personally for losses incurred.

The three basic duties created by the fiduciary relationship (Care, Loyalty, Obedience) that Board Members owe to the corporation were listed earlier. These duties when not performed can create potential for liability cases. Let's look at these one by one.

1. The first duty is *Duty of Care*. We shared earlier that this duty is interpreted as maintaining a level of competence, attention, and diligence that is expected by a prudent person when deciding. It includes acting in good faith and in the best interest of the organization. Liability may result from actions or mere inaction by a Director. In general, officers and boards of directors are not liable for errors in judgment provided prudence and care were present. The bottom line is to be careful and aware of your responsibilities in the management and oversight of the corporation.

2. The second duty is the *Duty of Loyalty*. This duty is a standard of faithfulness which requires a Board member to give undivided, unconflicted allegiance to the organization when making decisions impacting the organization. This requires that a director refrain from engaging in personal activities that would injure or take advantage of the corporation. A situation where a Director would benefit by making a financial gain

because of a decision is often referred to as "self-dealing." An example could be a Realtor or Contractor on a Board who engages in selling property or doing a construction job for the organization for fee or payment, which results in financial gain.

A "conflict of interest" occurs when a member of a board is conflicted on a decision because s/he is affiliated with another organization in such a way that they are not able to do what is best for this organization. It is often said that a Board member should wear the hat for the organization in which s/he serves. Since people often wear many hats, a conscious effort should be made to be faithful to and have allegiance for the organization you serve and are meeting about.

It is virtually impossible to avoid all conflict-of-interest situations. The law does not prohibit conflicts of interest, but they must be disclosed, and they place a heavy burden on directors. If a conflict-of-interest situation arises, the directors involved should inform the other members of the board of the nature of his/her conflict and should avoid voting on the matter (making sure that the abstention is recorded in the minutes). S/He should also avoid engaging in any discussion of the matter, except that s/he has a duty to disclose any facts that would indicate that the transaction is not in the best interest of the corporation. Every governing board should adopt a conflict-of-interest policy. The following are a few suggestions that board members of nonprofit corporations should consider in order to help ensure the duties of Care and Loyalty are achieved:

a. Attend all or most of the meetings of the board and the board committees on which you serve or resign.

b. Make sure that complete and accurate minutes are kept for all board and committee meetings and that those minutes are sent to all of the board members. Carefully review the minutes you receive as promptly as possible and correct and approve them at the following meeting.

c. On any transaction of substance which is proposed in a meeting at which you are in attendance or disclosed in the minutes of any meeting which you missed, seek further information as soon as possible, and make sure that your concern or objections are included as part of the minutes. Missing a meeting does not absolve you from responsibility.

d On any matters that come up about which you have serious reservations as to legal

requirements, do not hesitate to request and insist on a legal opinion from your corporate legal counsel before allowing the proposed action to proceed.

e. If your board has not adopted a conflict-of-interest policy, urge it to do so.

f. Make sure that you call to the attention of the board or board committee any conflict of interest that arises and abstain from discussing or voting on the matter. Make sure your abstention is recorded in the minutes. Also, disclose any information you have which other members may not know of as to why the proposed action may be to the disadvantage of the corporation, and make sure that this is included in the minutes.

g. Annually complete a Conflict-of-Interest form noting any potential conflicts and affiliations and give that to the President/Chair for review.

3. The third duty is the *Duty of Obedience*. This essentially means that the Directors will not allow the corporation to engage in activities which are outside of the powers granted to the corporation by statute, charter, bylaws, and/or the organization's mission. A willful or negligent breach of this duty will subject a director to liability. Acting in good faith would be a defense only where the director is found to have committed a simple mistake or error in judgment, and not when the activity in question exceeds the limits placed upon s/he or the corporate powers. The liability imposed depends upon the circumstances of the situation. For example, if the board decides to enter into a contract to make and sell airplanes, which is outside of the activities that the corporation can engage in, then the board is subject to any liability from that contract. Therefore, the board of directors must use forethought and engage in permitted activities when executing organizational functions.

Corporations and their board of directors often assume that the directors cannot be sued, but they can be. In most cases, it is improper for the directors to be named as defendants, since the actions constituting the basis of the lawsuit would have been taken by the directors in carrying out their fiduciary responsibilities. Nevertheless, one can never be sure, when named as a defendant in a lawsuit, that s/he will be dismissed as having been improperly named. Moreover, the issue of liability is often in large part a question of fact that can only be determined after several stages of litigation. Legal defense can cost a great deal of money. Boards of Directors have the option to purchase Directors and Officers Liability Insurance (D&O), which could help to defend or settle if the directors of the agency were ever sued. This type of insurance coverage

is a norm these days. To further protect the board of directors, the board should adopt an indemnification policy (adopted by resolution or as an amendment to the bylaws or articles of incorporation, or as part of the original bylaws or articles). An indemnification policy clearly states that no director is responsible or may be held responsible for corporate actions and protects them against expenses incurred by them in connection with the defense or settlement of any action, suit or proceeding in which they are made parties by reason of having been a director of the corporation - except when that director acted without the board's consent or is judged to be liable for willful misconduct. Many state laws have been strengthened to provide nonprofit board members with protection against personal liability, and your state laws should be examined. A D&O policy is typical. Boards should look at the types of lawsuits that are most prevalent with their insurance professional and determine if additional coverage may be necessary.

Maintaining Good Corporate Standing

Participation in the Rural Development housing programs and many state housing programs require proof that a corporation is recognized to be in good standing by the state responsible for incorporation. If the corporation has met all state reporting requirements and is current with all of its state tax payments and other liabilities, the Secretary of State can issue a Certificate of Good Standing, which basically is a bill of good health from the perspective of the state. In some states, the certificates are not for good standing, but rather confirm the existence of the organization. Compliance with all reporting, tax, and state regulations is necessary to maintain this good standing or existence, proof of which is required in the grant application.

TYPICAL FUNCTIONS OF BOARDS OF DIRECTORS

Elections
Board Operations
General Oversight and Assessment
Employing the Executive
Financial Health and Stewardship
Risk Management
Policymaking
Planning
Measuring Impact and Results
Monitoring and Strengthening Programs and Services

Resource Development
Knowing the Community
Advocacy for Mission, Organization and Customers
Always do what is best for the organization
This list of typical functions will be examined function by function in detail in the following sections.

ELECTIONS

Annual Elections (Board and Officers)

Most nonprofit organizations call for annual elections. This typically takes place at an Annual Meeting of the corporation with the primary purpose of Board and officer elections and perhaps a recap of the previous year and plans for the year ahead. Most Bylaws address the election of Board members and officers as that is a primary function of an organization's Bylaws.

Most standard is a 3-year term of office for Board members. Board elections typically stagger the time Board member's terms end (one third year 1, one third year 2, and one third year 3) so that there is consistency in operation with no potential for the entire Board to exit one year. Board elections are held by the Board unless there is an overall corporate membership from which Board members are elected.

The terms of officers are set forth in the organization's Bylaws. Sometimes officers serve for on-year and are re-elected annually. Sometimes officers may serve for 2 or 3-year periods. Check your Bylaws and do not rely solely on memory or assumptions.

Annual Elections are where the Nominating Committee goes to work on behalf of the organization and brings a slate of nominees that have been vetted to the Annual Meeting for action.

If elections are not held and Board member or officer terms expires, then technically those positions are not in place. Not having annual, timely elections is a definite warning sign and deficiency.

Terms of Office

The number of terms a Board member or an officer can serve according to the Bylaws is an important policy for the Board of Directors. Some organizations limit the Board members or Officers to two or three terms of service. In some cases when a Board member has completed the maximum number of terms, they must "sit-out" a year before they can be reconsidered for the

future. Some organizations have no limitations on the number of terms a Board member and Officer may serve. The goal of term limits is to ensure there is some level of healthy turnover, new blood, and vibrancy to the Board or officer positions. Some organizations see sufficient turnover, vibrancy, and resilience without term limits while others may stagnate over the years.

Refer to the Organization's Bylaws

As the most fundamental and integral document guiding the organization's and Board's operation, the Bylaws should be referred to on a regular basis for questions revolving around elections, Board service, and officers. If for some reason the Bylaws are not clear on this or require some updating, they can be amended, often by two-thirds vote of the Board of Directors with due notice.

Fill Interim Vacancies

Sometimes Board or Officer vacancies can occur during the year due to a move, job change, sickness, resignation, etc. If positions are vacant near the time of the annual elections, they can be dealt with through the normal process. Should vacancies occur distant from the annual meeting, the Board may wish to fill them to have the skill, expertise, or representation for the months ahead until the annual meeting.

Once again, the Nominating Committee can go into action to hear from the Board what they think is needed, to look at their list of prospective members, do the necessary vetting, and bring nominees or a slate to the Board for action.

Assure a Functioning Nominating Committee

The Nominating Committee is typically a Standing Committee with a number of members to do the important work of elections. Of course, there is plenty of work leading up to elections that the Nominating Committee leads. This can include the following items or tasks:

Nominating Committee Tasks

- Refer to organization's Bylaws for process
- Determining which and how many positions to fill
- Assessing Board needs, skills, experience, representations
- Developing a job description for Board service
- Recruiting and vetting nominees for Board service
- Develop a slate for Annual Meeting or interim vacancies

What Skills, Experience, Representations, Connections, and Demographics are Needed?

It is important for an organization to envision what its Board of Directors should look like. Once the Board has done this, the task falls to the Nominating Committee to find and recruit individuals that match the Board's needs. What skills, experience, and expertise should it have? What specialized areas should be represented such as finance, real estate development, human resources, media, planning? What does the community look like and what are the demographics of the customers the organization serves? The organization has the opportunity to build a competent and accountable Board of Directors.

Develop and Maintain a Board Matrix

A Board matrix is a helpful tool to see what is really needed on the Board of Directors. It is a visual representation of the skills, representations, and expertise that exists now on the Board of Directors. When you have an inventory of what currently exists on your Board, it is easier to identify gaps that should be filled. The matrix is typically a chart listing Board members on one axis and the desired skills and experience, and characteristics along the other axis. The Nominating Committee is the keeper of the matrix and should keep it updated and bring it out for reference when it is time to recruit new Board members for elections and to fill vacancies.

Recruiting Prospective Board Members

As the Nominating Committee has a list of Board slots to fill; and a list of skills, specialties, and representations to consider; it starts to identify potential Board members who could fill those slots. The full Board can also dive in and brainstorm about individuals that would meet their criteria and help the Nominating Committee out. The Nominating Committee comes up with its list of potential Board members, sometimes two or three deep per position, because people sometimes say no. This is not different than matchmaking as the Board searches for its slate of matches that bring the desired criteria.

The Nominating Committee prepares to make its request as it recruits new members. Armed with key information about the organization, including what Board membership entails, why the person and their skills are needed, Committee members ask people to consider serving on the organization's Board. People should be told what their real responsibilities are. Too often committees ask people to serve downplay the responsibilities as only attending a few meetings. Too often Boards take the easy road of just finding people who will say yes, but not really

examining what is needed. Instead, it is important to excite the potential nominee about the mission and impact the organization is making. Once a person says yes, they are included on the slate of potential Board members for Board consideration.

Orient New Board Members

Elections have taken place and you have a slate of new Board members raring to serve the organization. Too often they are simply told when the next meeting is and will have to learn about the organization through osmosis. When you take time to do a significant orientation for a new Board member it shows the organization cares, and it raises the mutual expectation level. Set up time to provide an organizational overview by Board and staff. Show new Board members the results and outcomes of new and repaired homes. Provide corporate documents, minutes, and financial reports, budget, audit, and the strategic plan in the form of a notebook or an electronic file for each of them. Do not skip this important task and your new Board members will be ready to serve at a high level. Provide them with a job description, a Board member code of conduct, and a conflict-of-interest form to complete.

Items for an Effective Orientation Plan

- History of the organization
- Corporate documents (Articles & Bylaws)
- Recent Minutes and Financial Reports
- Annual Report
- Audit
- Strategic Plan
- Tour of office and job sites
- Discussions with Key Board and staff

Board Training and Leadership Development

Just as orientation is important for new Board members, constant care and feeding in the form of Board Training and Development is critical to maintaining a high performing Board of Directors. Board meetings can provide some on-going training for Board members. Maybe it is the CPA who explains the audits in detail, the Chief Financial Officer who explains the financial reports,

the insurance professional who explains the whys and wherefores of coverage, the benefits expert who explains the employee benefits package, or the attorney that explains new additions to the personnel manual. Much training can be done on-site as a part of the Board's normal work. Training off-site in different settings can be helpful as well. Attending a Quarterly Review Meeting with Rural Development (RD) and the Technical and Management Assistance (T&MA) Contractor will be great training about the organization's management of the self-help housing program. National Rural Housing Conferences are offered by the Housing Assistance Council. About every five years the four T&MA Contractors put on a National Self-Help Housing Conference with a Board training track. NeighborWorks America offers National Institutes each year which provide a variety of housing and community development training. They also have a Management and Leadership track available as well. Offer training opportunities to your Board whenever you can.

Utilizing the Organization's Membership and Volunteers

Board members, members, and volunteers are important parts of an organization. All are volunteering their time and expertise for the cause of the organization. It is important to provide them with meaningful and rewarding tasks so they can see that their work and volunteerism is making a difference. This is not always as simple as it sounds. It takes time and planning to accomplish the goal of utilizing volunteer assistance. Board members need to know and feel that they are a key part of the organization's governance and important to its success.

If the organization has membership outside the Board of Directors, it can be a challenge to connect with them throughout the year. Newsletters, annual meetings, membership meetings, celebrations, and calls to action can all be helpful. An organization can do an inventory of skills and expertise and plug members into meaningful tasks. Members sometimes pay dues to join an organization, so it is important to articulate what the dues provide in return.

Volunteers who work with organizational projects such as home repair, home construction, administrative tasks, and day care for participant families are important to the organization. Some groups have Volunteer Coordinators to make sure meaningful tasks are available and that volunteers are appreciated. The organization should make sure their volunteer component is adequately covered by insurance.

Building a Competent Board

Since quality governance is so critical to the success of an organization, an important goal is to build a competent Board of Directors. This begins by having a vision of what a competent Board is. That can only be envisioned when Board members know what they are supposed to do and what their responsibilities and roles are.

Board members might wonder and ask questions. What skills and abilities should Board members have? What demographics should be represented on the Board? How can meetings be made meaningful and interesting? How can time be spent planning for a bright future? How can the Board be fully engaged in this leadership role? How can the Board best support its Executive? How can the finances be kept under control? How can good audits be the norm? How can ambitious yet realistic goals be set and monitored? How much oversight is necessary?

Elections and the work of the Nominating Committee are critical to building a competent Board. With every vacancy there is an opportunity. An opportunity to add capacity, to add something the Board doesn't have, but needs. A vision of how good the Board can be if the mix of skills, abilities, experience, and representation exists is important. Then begins the adventure of learning how to work together to advance the organization.

BOARD OPERATIONS

Meeting Frequency (Regular and Annual)

How often should Boards meet? There is no one correct answer for how often a Board of Directors should meet. Quality housing organizations throughout the nation have selected monthly, bi-monthly, or quarterly timeframes for their meetings. Anything longer than quarterly simply allows too much time between meetings. So much can happen within three months in terms of finances, program, opportunities, or problems that quarterly meetings should be the minimum number of meetings. Each organization must decide for themselves what is best for them. In making that decision, the Board should consider their responsibilities and timeframes to accomplish them.

The responsibilities and functions include Elections, Board operations, Oversight and Assessment, Employment of Executive, Financial health and Stewardship, Risk Management, Policymaking, Planning, Measuring Impact and Results, Monitoring and Strengthen Programs

and Services, Resource Development, Knowing the Community, Advocacy for Mission and Organization, and Doing What is Best for the Organization.

Annual Meetings happen once a year and they represent a time to come together for elections, annual report and update, appreciation for service, financial report, report to the community and stakeholders, and more. Boards often select one of their meetings as the Annual Meeting. This is a wonderful opportunity to brief your stakeholders.

It is helpful for a Board to develop its annual schedule of meetings at the beginning of the year and to use a certain day and week of the month for consistency. This reduces confusion and gets Board meetings on the calendar early, resulting in fewer meeting conflicts.

The Board should not overlook the full scope of its responsibilities and meet less often than is needed. Whatever number of meetings the Board decides, the frequency, day and week of the month, and agreed upon advance notice, is sometimes specified in the Bylaws for annual meetings.

Meeting Attendance, Quorums, and Public Meeting Laws

The most fundamental requirement for a Board member is regular attendance of meetings. Being there and showing up must happen or there will not be a meeting. Board members simply cannot contribute or participate in governance if they are not present. Most organizations have attendance requirements which are spelled out in the Bylaws. Many Bylaws require that if a board member is absent from three consecutive board meetings without excuse, then that member is assumed to have resigned. Others might require attendance of a minimum number of meetings during the year or termination will occur. Too often these requirements are not enforced, which can result in a weakening of the Board or sub-par performance.

A Quorum is defined as “the number of members required to be present for business legally to be transacted”. Bylaws typically determine a Quorum that is necessary to transact business. Often the quorum is 51% or one more than half the Board members be present. Some larger Boards may have a slightly smaller requirement or name an actual number of Directors who must be present. The reason for a quorum is to ensure there is sufficient attendance to be able to transact meaningful business at a meeting. Two people should not be making decisions on behalf of an organization. Meetings should be started after it is determined that a quorum is present. A

determination that a quorum is present should be the prerequisite to the start of the meeting and should be recorded in the minutes. When an organization has consistent problems having a quorum present, that is a red flag warning that something is wrong. A quorum represents a minimum requirement; however, Boards should strive to have a high level of attendance at all meetings.

Boards of Directors should become aware of any Public Meeting Laws that may be applicable to them in their community or jurisdiction. If applicable, these laws could require public notices of meetings, published in a certain manner, and accommodating the public to attend Board or membership meetings.

Track and Enforce Meeting Attendance Policy

The Secretary develops the minutes and therefore has the attendance role. It is simple for the Secretary to develop and maintain an attendance tracking chart which is available for review and action. Some organizations review the attendance tracking chart at each meeting. When it is clear the policy has been violated, the Board President or Chair has the responsibility to contact the absent board member and discuss the situation to see if there is a legitimate reason for the absence or whether to request a resignation or seek a recommitment. If neither happens, the full board should decide whether to remove the absentee board member. Actions taken on behalf of the attendance policy should be consistent. Nonenforcement of the attendance policy sends a signal to all Board members that the Board is not serious about its responsibilities.

Ability for Teleconferencing, Virtual Meetings, and Electronic Notices

If electronic notices are provided and if Board members can attend by telephone or virtually, or if virtual meetings are held, the Bylaws which is the document defining Board operations, should authorize or allow such. Many organizations have had to update their bylaws to allow remote participation.

Meeting Agenda

A key aspect of Board meeting preparation is the development of a meeting agenda. An agenda helps to ensure that meeting goals are achieved by guiding the meeting and helping to keep the meeting on track. The responsibility of developing the agenda rests with the Board President or

Chair, usually in conjunction with the Executive. While a typical agenda may be used, agendas can vary depending on organizational needs.

A typical agenda might include:

- Call to order, existence of a quorum
- Minutes (review and action)
- Reports:
  - Financial report (review and action)
  - Executive report
  - Committee reports (standing and ad hoc)
- Old business
  - (Discussion, problem solving, decisions left over from previous meetings)
- New business
  - (Introduction, discussion of new topics)
- Other business (anything else needing attention)
- Set and confirm next meeting date
- Adjournment

Minutes Adopted by the Board of Directors

Minutes are the record of Board and committee meetings and actions and as such are essential to the organization. It is important that they be complete and accurate. If the board finds itself in litigation, the minutes could become extremely important because they present the record, the deliberations, and the actions taken by the Board of Directors. The Secretary of the Board is the officer assigned to take the minutes at meetings. Sometimes a staff person other than the Executive may have been delegated the responsibility of taking the minutes. The Executive should be able to participate and concentrate on the meeting issues and therefore should not take the minutes. If a staff member takes the minutes the Board's Secretary has the responsibility of reviewing the minutes prior to distribution. Minutes should follow a consistent format. The heading should indicate the date and location of the meeting, followed by a list of board members present and those absent (indicating those absent with excuse). Minutes should start by noting the time the meeting was called to order, a quorum is present, and who is chairing the meeting. The minutes should be easy to read and use frequent paragraphs and a new paragraph for each new idea or change of topic. Vote counts should be noted in the minutes, along with motions and seconds and who made them. If there is a split vote, the number in favor, opposed, and abstained should be recorded. Some organizations like to bold the actions taken. Finally,

motions and decisions should be written down using the exact language with which they were made.

It is a good idea to implement a system that encourages following up on board decisions. The minutes are an ideal place for this to occur. Without changing the content of the minutes, a concise list of decisions that still need follow-up can be presented at the end. Preparation of the minutes in the final typed form should be completed in time to provide them to the Board prior to the scheduled meeting. This allows the members to review them in preparation for the next meeting. The organization's office should maintain the official copy of both the Board and committee
meeting minutes. Minutes for the past 24 months are kept for reference. Minutes older than 24 months are stored in a permanent, but easily accessible file. Individual minute notebooks or folders should be kept for the Board and each active committee. Sometimes Board members may offer corrections to the minutes prior to a motion to approve them. It is important that those corrections be made in the official minutes.

When the Minutes portion of the agenda comes up, it is important for the President/Chair to allow some time for review. While Board members should read the minutes prior to the meeting, sometimes that is not possible. Also, members who were not present for the meeting captured in the minutes may have questions about what transpired. The Board should never feel pressure to receive a motion, second and vote, rather should see if members have had time for review and whether there are any questions or corrections. Approving minutes is not just an item to check off the meeting agenda, it approves the official record of the organization’s business, deliberations, and actions.

Financial Reports Approved by the Board of Directors

Just as minutes record the business and actions by the Board of Directors, financial reports present the financial condition and health of the organization. This is of utmost importance to the Board members who have fiduciary responsibility. First, all regular meetings should have a financial report. There should be no good reason for not having a financial report at a regular call meeting. There should be no situation where several meetings commence without a financial report being presented. The financial condition can change in a short period of time and Board members should not have to assume that the financial condition is okay, they should be able to review an up-to-date, accurate report.

The financial reports should be complete, meaning they have: 1) Statement of Financial Position (Balance Sheet) which shows assets, liabilities, and net assets, 2) Statement of Activities (Overall Revenue & Expense) compared to the current budget. Boards may want other financial information such as expenses by line of business, account balances, days of cash on hand, cash flow, financial ratios, and proof of account reconciliations to assure accuracy.

Financial Reports Should Include:

- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Overall Revenue & Expenses)
- Revenue & Expense report compared to budget
- Others based on what Board needs – expenditures by line of business, account balances, cash flow, days of cash on hand, financial ratios, proof of bank reconciliations, etc.

Financial reports should be accurate based on actual books of record and reconciled bank accounts. The financial report should be reviewed by the Treasurer prior to presentation at a Board meeting. This keeps the Treasurer current as the key financial officer and also allows him/her to ask questions to be sure the report is in sufficient form to present to the Board. Usually, the organization's Finance Director or Chief Finance Officer will present the financial report.

The Board should not feel pressured to approve a financial report that is incomplete, has unanswered questions, or seems inaccurate. That should be a red flag warning to the Board about the Executive and staff's ability to present a current and accurate report. Time should be taken by the Board for the CFO to present the report and for any questions to be answered. When the Board is satisfied with the report, it should move, second, and approve the report as a matter of record. Auditors routinely examine minutes for the year being audited and they are looking to see that financial reports were presented and approved along with any other financial considerations. If there is any question as to whether reports are accurate or not, whether bank accounts are being reconciled monthly, or whether reports are based on actual books of record, this would be a serious issue that needs immediate and significant attention until rectified. Boards in this

situation can call in their auditor or a professional to help to diagnose the problem and help put systems in place to ensure it is appropriately resolved. Sometimes a third party is necessary to assure the Board that things are on the right track. Just as minutes are maintained, financial reports should be maintained as part of the minutes or as an attachment to the minutes.

Meeting Preparation

Meetings should be set up in advance and Board members should have it on their calendars. Meeting notices should be provided at least a week before the meeting as a reminder. Notices can be provided in whatever manner the Bylaws authorize such as mail, email, or electronic invitations. Preparatory information should be provided with the notice to facilitate Board members being prepared for a productive and concise meeting. It should include the following:

Items to be included with meeting notice:

- An Agenda for the Board meeting
- Minutes from the previous meeting
- A current Financial Report
- Information/background about other items of business to be considered

The key is that board or committee members should be provided with as much information as necessary prior to the meeting, so that they are well prepared to participate in discussions and make educated decisions. At the meeting, additional information may be presented to facilitate decision making and due diligence.

Leading Meetings

Meetings require the organization's best efforts in both planning and conducting the business at hand. It is during meetings that decisions of the board are initiated, studied, recommended and reached. Decisions are the end product of a board meeting and sound board decisions can best be reached in meetings that have been properly prepared for, conducted, and led. The Board President/Chair should be the one to lead and preside over the meeting by following the agenda and introducing each item. Depending on the agenda item, the President/Chair may defer to the Executive, Committee Chair, Chief Financial Officer, etc. That doesn't mean the President/Chair

should dominate the meeting as s/he should be introducing others for different sections of the agenda, such as:

Minutes – Secretary
Financial Report – Treasurer and/or CFO
Executive's Report – Executive or CEO
Committee Reports – Committee Chair

The Executive's Report is a key portion of the meeting where s/he can share achievements and successes, statistics and impact, new projects or services, opportunities and problems, and recommendations for Board action. Committee reports should be limited to committees which have met and have specific recommendations or issues for the Board to have input or take action on. Typical committees are listed under the Board of Directors responsibility heading earlier in this handbook. In general, it is important that all Board members have an opportunity to speak and be heard. Board members that feel valued will participate and represent the organization better. Board members who feel their voice is not valued or heard may become dis-engaged.

Operate Ethically

Operating a nonprofit ethically does not automatically happen because the organization has a charitable mission and is tax-exempt. While most Board members and staff may be ethical, it still is incumbent on the Board of Directors to make sure policies are in place to assure an ethical organization.

Board members must know their responsibilities, their duties, and the parameters in which they can operate. Bylaws guide the operation of the Board and should be reviewed at least annually. It is helpful for Board members to have a job description which describes their tasks and responsibilities. The Code of Conduct can also be helpful in establishing acceptable behavior and conduct. The code should discuss such areas as self-dealing for personal gain and conflicts of interest. Having each Board member complete a Conflict-of-Interest Certification form and disclosure will be a good reminder for Board members and should result in fewer issues. The President/Chair should be above repute and should place value and weight on an ethically operating organization. S/he can make sure time is spent discussing conflicts of interest, giving examples, and making sure that disclosures and abstentions happen.

Integrity is everything!

Ethical operation is integral for the organization to have a sound reputation. Rumors or reports of unethical behavior travel fast and can present a great reputational risk to an organization with its stakeholders including the customers they serve, the funders who fund, and the government who supports it. Once a reputation is damaged it is difficult to rebuild. It is not just a simple rebooting of the organization once issues have arisen as stakeholders may be wary and trust may take significant time to build back. If anything, it is important that the organization has the reputation for ethical behavior, governance, and leadership. A sample Board Job Description, Contract, Code of Conduct, and Conflict of Interest Certificate are included in the appendix.

GENERAL OVERSIGHT AND ASSESSMENT

Be Aware of Key Indicators of Organizational Health

The Board of Directors must be aware of the health of their organization. If they are not aware of it, who would be? There is no excuse for not knowing how healthy or unhealthy your organization is. Organizational health can have several indicators, all of which lead to performance. When we think of health, we may think about pulse rate, blood pressure, BMI, sight, hearing, muscle tone, and much more. These are typical performance indicators for health. What would be some performance indicators of organizational health?

Indicators of Organizational Health:

- The state of Governance
- The condition of Finances
- How well the Mission is fulfilled
- Satisfaction of customers
- Capacity of Executive & staff
- Adequacy of Policies & Systems

A Board can develop its own physical or report card for the organization by coming up with its own organizational health indicators. Now that the Board has a list of organizational health indicators – what happens? In order for this effort to be meaningful, the indicators must be assessed to see whether health is poor, satisfactory, fit, or resilient. Assessment involves ownership in determining strengths and weaknesses, low capacity, and high capacity, absent or evidenced, and where you are vs. where you want to be.

Where are we?		**Where we want to be?**
Governance	-----*how to get there*-----	Effective, efficient, ethical
Finances	-----*how to get there*-----	Healthy & sufficient for opportunities
Mission fulfillment	-----*how to get there*-----	Programs align well with good results
Customer satisfaction	-----*how to get there*-----	Feedback is positive and used to improve
Capacity (Exec/Staff)	-----*how to get there*-----	Sufficient, growing, strong
Policies & Systems	-----*how to get there*----	In place and functioning well

The chart above looks simplistic, but it includes assessing and measuring keys aspects of organizational health and defining where the Board wants the organization to be for each of them. Then the question is *how to get there* from where we are to where we want to be. This requires planning and the development of action steps that will bridge the divide.

Boards Must Receive Regular Reporting About Finances and Performance

To be aware of organizational health and to fulfill their oversight duties, Board's must have regular reporting on financial condition and performance indicators. As shared throughout the handbook, financial reports are a critical element of Board oversight. Financial reports indicate the overall health of the organization through its balance sheet. They tell how the organization is doing financially monthly and year-to-date through its revenue and expense reports. Financials inform Board members so they can ask appropriate questions. If a Board does not receive financial reports, it is flying blind, not knowing the financial condition and trends of the

organization they oversee. Members should never take the Executive's word for it; they should have up-to-date and accurate financial reporting – there is simply no substitute.

The same is true for performance reports. The Board of Directors should receive reports that show what is being accomplished by the Executive. Related to self-help housing, an Executive could share the following items accomplished year-to-date compared with the goal and also the previous year: homes built, families recruited, 502 loans packaged and approved, properties/lots in inventory or under control, families on waiting lists, etc. A simple Grant Progress Analysis (GPA) Report that compares the time elapsed on the TA Grant, the TA Grant funding drawn down and spent, with the progress in terms of equivalent units achieved, could visually and concisely demonstrate the performance of the self-help housing program. The Board and Executive can together determine what performance criteria will be used – but it does need to be counted and reported.

Some suggested self-help housing performance criteria are provided below:

Hear from the Executive at Meetings and Different Settings

Typically, Board meeting agendas have time for the Executive to provide a report. Many Executives develop a written monthly report capturing performance and progress. This can be presented and discussed at Board meetings. Other Executives provide a verbal report at Board meetings. Either can work as long as the reports cover the agreed upon reporting criteria. The Executive articulates the performance and work of the organization's staff. Sometimes a staff team or leader will provide a report on their line of business. It is also healthy to hear the Executive in different settings both to support them and to see how they represent the organization. Different settings could include a public event, a town planning meeting, a self-help celebration, a problem-solving meeting with a funder, and more.

Find Ways to See the Organization in Action

The Board should be invited to join in various organizational events and activities. These events and activities involve organizational interaction with various stakeholder groups. It is healthy for the organization to have Board members attend home dedications, wall raisings, celebrations, a "show and tell" with a funder or congressional representative, a fundraising event, and more. This is limited only by the organization's imagination. Other opportunities could include being involved with strategic planning, visioning, problem solving, requests at City or County Council or Planning/Zoning meetings. A great opportunity is to attend a Quarterly Review Meeting with Rural Development and your T&MA Contractor. These events and meetings can provide an important perspective and allow Board members to see the organization in a different light.

Listen to Stakeholders Describe the Impact of the Organization

Board members are an important link to the community. As such, Board members will have an opportunity to listen to how stakeholders perceive the organization and its impact on the community and the people it serves. This is important governance information. If perception, experience, and reputation are strong, that is a great building block for the future. However, if issues, questions, and concerns come to light, they should be dealt with and the sooner the better. Board members interact with the community and stakeholders in different ways. Each member will have a frame of reference that puts s/he in front of different segments of the community. When the entire Board connects, engages, and listens to the community it will learn how the organization is thought of and it will hear, see, and feel the impact or lack thereof. The Board of

Directors could host an internal customer forum to hear what beneficiaries are saying and listen to their feedback and suggestions to help direct future efforts.

Assess the Organization's Capacity in Important Areas

While this should be done in an ongoing manner by the Executive, it also is an oversight duty of the Board of Directors. Members should know where the organization is strong and where improvement is needed. It is important to talk openly about this with the Executive and to be on the same page towards advancing the organization and making it stronger, sustainable, and resilient. The Board could ask the Executive for an assessment of the capacity of different aspects of the corporation, such as finances, staffing, leadership, policies, infrastructure, Board operations, etc. Chances are the Board has a good sense as to where the organization is strong and where there is some vulnerability. Efforts to resolve vulnerabilities and build upon strengths are important for the present and the future. Organizations that are aware of problems, low capacity, exposures, or vulnerabilities, must work to resolve and overcome them. Partner with the Executive to come up with a plan to either further assess or diagnose the situation and/or to resolve it.

Consider Using Third Party Experts to Assess Capacity

There is a time to utilize third party experts to help evaluate and assess an organization's health, capacity, opportunities, and problems. For instance, who knows more about an organization's financial condition than the Certified Public Accountant that is contracted to do the annual audit. The CPA should be asked by the Board for an assessment of the organization's financial condition, financial management, and financial policies, along with any recommendations to shore up this important organizational aspect. Work with the CPA to come up with a plan to turn around any financial issues the organization may have. The self-help grantee may have access to a number of intermediaries who can help assess and recommend. If the grantee is a Habitat for Humanity affiliate – Habitat for Humanity International. If the grantee is a NeighborWorks America affiliate – NeighborWorks America regional and national offices. Consider your T&MA Contractor for Self-Help Housing as a useful intermediary. The T&MA Contractors do various reporting and assessments of which the Board of Directors should be aware. Of course, there are consultants available for specific needs such as strategic planning, real estate development, organizational development, and they can be explored as well. While some services by intermediaries and professionals may have a cost and some are free, when there is a

unique opportunity or a persistent problem, sometimes an investment in getting an unbiased, third-party objective look can be critical and helpful.

Annual Board Assessment and Diagnostic

It is important for a Board to assess itself and its own operations. While the Board has oversight into the entire organization, that includes itself. Boards and their operations can routinely benefit from a tune-up. However, there must be an assessment or diagnostic to know what areas require work. Assessment tools are shared in the Appendix for the Board of Directors as a whole and for individual Board members. The Board should devote sufficient time to the full Board assessment so as not to be hurried. It should put on an assessment mindset. This shouldn't be a task to hurry through and check off the list, rather it should be an honest, forthright attempt to examine how well the Board is operating. As with any assessment, a Board assessment will show what is working well and what could use some help. Most assessments end with recommendations and an action plan to achieve the desired improvements.

Complete RD 1944-I, Exhibit E or Alternate Program Evaluation

RD Instructions and the Self-Help TA Grant Agreement requires the grantee's Board of Directors to complete a program evaluation. A sample is set forth in Exhibit E of 1944-I. This Exhibit is provided in the Appendix. It is quite detailed and proscriptive for a Board of Directors. The Board may develop an alternate evaluation tool for use. It is suggested that RD approve the use of the alternative evaluation tool and indicate that perhaps in the minutes of a Quarterly Review Meeting or by letter/email. An alternative evaluation tool to Exhibit E is provided in the appendix.

EMPLOYING THE EXECUTIVE

A Primary Function is Employing the Executive

A primary function of the Board of Directors is the employment of the organization's Executive. Whether that position is titled Executive Director, CEO, or President/CEO, the Board has the role of employer. That is why on an organizational chart for most nonprofit organizations, the Board of Directors is at the top with the chief Executive immediately below. Employment includes selection, hiring, employment, evaluation, training and development, and succession. Typically, Boards employ this one individual who then is responsible for employment of the

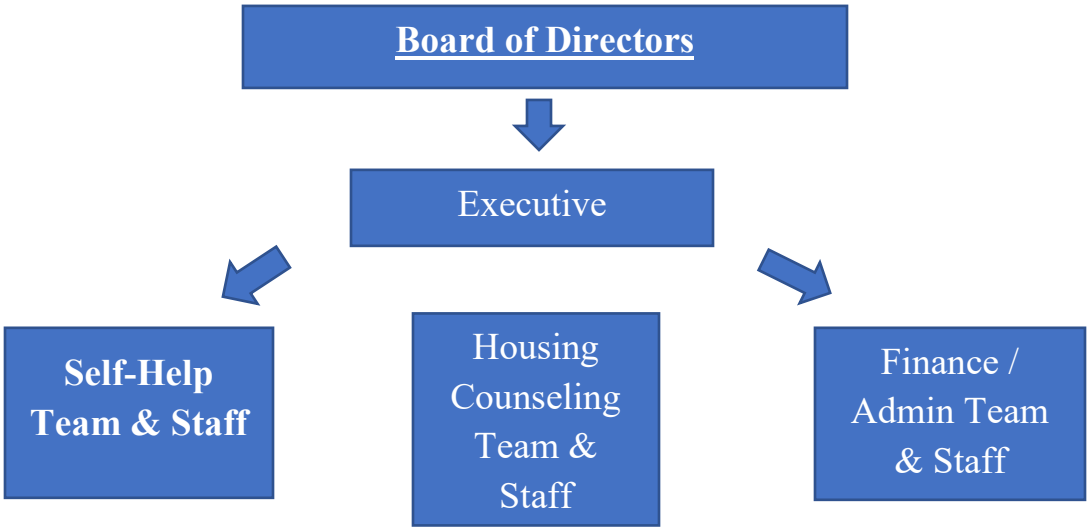
organization's staff. The Board of Directors models the type of employer the organization is. It is important that the Board be a good employer providing empowerment, attention, support, evaluation, and fair pay and treatment.

Empower Executive with Authority for Day-To-Day Operations

An Executive of an organization cannot function unless they have the designated and delegated authority to go with the title. The Board of Directors employs the Executive and delegates the authority for operations and goal achievement to the Executive. The Executive must have the authority to hire and employ staff to carry out the day-to-day work of the organization. Staff are responsible to the Executive and the Executive is responsible to the Board. The Board must have that mindset and understanding for the relationship to work. If the Board undermines the Executive's authority and interferes with staff and operations, the organizational structure is violated. That doesn't mean the Executive is not evaluated, reviewed, monitored, and assessed by the Board of Directors.

The lines of authority should be clear on the organizational chart and in position descriptions. Typically, the Board speaks through the Executive and the Executive speaks to the Board on behalf of operations. Staff may have some interactions in meetings and events, but assignments are made from the Board to the Executive.

.



Establish Clear Expectations and Conduct Annual Performance Reviews

It is critically important that the Board of Directors establish clear expectations of their Executive and then communicate and conduct annual performance reviews of the Executive.

Expectations should be clear in the Executive's position description, in recorded communication at Board meetings, and from the Strategic Plan and Annual Business/Operations Plans. The clearer the expectations are conveyed and articulated verbally and in writing, the less opportunity for misunderstandings and miscommunications.

Annual performance reviews are a must for the Executive. While too often this critical task is overlooked, it sets the tone for the understanding of the importance of employee evaluations throughout the organization. If an Executive is reviewed faithfully, chances are s/he may review the balance of the employees or see that they are reviewed faithfully. If the Board does not evaluate the Executive, why should the Executive evaluate the balance of the staff? The Board indicates on its IRS Form 990 submission that it evaluates the Executive and establishes their compensation. The Executive deserves a performance evaluation annually. Too many problems develop over time when strengths are not acknowledged, and improvements are not required. The evaluation document of the Executive should be filed in their personnel file.

Give Executive Freedom With Some Basic Limitations

It is important that the Executive you selected, hired, and employed have freedom to address the Board's expectations and carry out the strategic and annual goals for the organization. To deny a substantial level of freedom is to deny the Board and Executive relationship and structure. Yet, the Executive cannot have total freedom without some constraints. Those constraints could include legal, ethical, financial, prudence, and mission limitations. A visual would be a road bounded by a guardrail (constraints) but with several lanes of freedom on which to drive the organization. It is up to the Board to determine and communicate those limitations clearly to the Executive.

Once Delegated, Let Executive Proceed Without Undue Micromanagement

It is important for the Board of Directors not to send mixed messages to its Executive. If on one hand the Board says it is delegating authority and freedom with some restraints, then it should operate that way and allow the authority and freedom for the Executive to exercise their ability. There is nothing worse than saying you grant authority and then pulling it back by questioning and micromanaging every decision of the Executive. The message sent by doing so is one of doubt and mistrust and that is not a good relationship trait for the Board and its Executive. Of course, poor performance by an Executive may necessitate the Board taking more of an active role.

Provide Fair Pay/Benefits and be Sure to Provide to All Personnel

Provide a fair salary and competitive benefits to the Executive and make sure policies exist for the same treatment of staff. If quality work and performance is expected and desired, then pay for it. Sometimes nonprofits pay too little and expect too little. Also, benefits are important to the Executive and to employees. It is important to work to develop a well-rounded benefits package for employees. Ideally, organizations want to be good employers, paying fair wages.

Be Aware What Executives of Similar Type/Size Organizations Earn

When discussing a fair wage and benefits package earlier, how does a Board determine what that is? A Board can do its own Wage/Benefit Comparability Study by surveying a number of similar organizations from the immediate area, region, or state. That should help to determine the highs, lows, and median which will help to determine what is fair in your case. Also, if you are affiliated with or relate to a third-party intermediary such as NeighborWorks, that information is available on a larger scale. Sometimes a state association of nonprofits may have done studies statewide that you can draw information from. It is important when a certain wage and benefit package is standard in your market area that the Board consider using that as you seek employees, so the organization can do so competitively.

Provide Leadership and Content Training

On-going training and development are important for your Executive. The Board should want their Executive to be well trained, educated, and a leader for the organization and community. That means the Executive must be well versed in rural housing when operating a Self-Help Housing program. S/he also must be well versed in nonprofit management with some understanding of human resources, resource development, financial management, program development, impact assessment, and more. A Board that demands excellence recognizes that on-going training and development will be required for their Executive. There should be a training and development line item in the operating budget for the Executive and staff. The Executive who is trained and developed will be more likely to do the same for employees. If there is an area where your Executive is weak, the training should concentrate on the content that is needed.

Develop a Succession Plan for Executive Transition

Boards of Directors have a responsibility for Executive succession since they employ the Executive. It is important to work through developing a plan so that the organization is not

caught in chaos if the Executive position is somehow vacated. Specific information on Succession Planning is provided under the planning section.

FINANCIAL HEALTH AND STEWARDSHIP

Financial Reporting (Accurate, Monthly, and use of Dashboard)

Financial reports along with minutes are arguably the most important report that a Board of Directors can receive. Financial reports are designed to give the Board information about the financial condition and health of the organization. A typical report will include a Statement of Financial Condition (Balance Sheet) showing Assets, Liabilities, and Net Assets. Next, a Statement of Financial Activities (Overall Revenue and Expenses) shows spending year-to-date in comparison to the approved budget. Boards may want other financial information such as expenses by line of business, account balances, days of cash on hand, cash flow, financial ratios, and proof of account reconciliations to assure accuracy. These reports should be submitted monthly to the Board of Directors. Financial changes can happen fast, and it is important to keep a monthly watch on them. Some Boards also use a dashboard approach looking at a series of financial indicators to examine financial health "at a glance." There is no substitute for quality financial reporting. There should be no good excuse for not receiving one each month. Absence of a financial report is a major red flag warning.

Be Aware of the Financial Status of the Organization

The buck stops with the Board of Directors. It is imperative that the Board be aware of the financial health of the organization and the trends that are exhibited. This is a fundamental duty of the Board and one which it cannot renege on. Along with the financial reports there should be some narrative from the Executive or the Chief Financial Officer explaining the report, trends, and challenges. If Board members do not understand what the Executive or CFO is saying, it is their responsibility to have employees break it down in such a way that it is understood. The onus is on the Board of Directors to be aware of the organization's financial status. A competent Executive will provide for that.

Understand the Statement of Financial Position (Balance Sheet)

The Statement of Financial Condition or Balance Sheet shows categories of assets (what is owned) and categories of liabilities (what is owed). Net assets are the difference and previously were known as net worth or fund balance. In some instances, it may be referred to as equity. An

important goal of the organization is to grow net assets, so the organization has that opportunity fund to take advantage of possibilities or to resolve problems. Growing assets is important and keeping liabilities reasonable is the goal. Yet, liabilities are not necessarily bad as some debt can help fuel organizational growth.

Understand the Statement of Activities (Income and Expenses)

The Statement of Activities shows the overall revenue received for the fiscal year (public and non-public), along with the expenses and losses. Most Income and Expense Statements done inhouse as monthly financial reports will also compare the expenses to budget line items to see if line items are underspent or overspent. The review of monthly and year-to-date spending is important as well. Board members can question line-item spending that seems particularly high or low. Members can also see how the bottom line is trending in terms of gains or losses. Revenue less expenses for the year provides a change in net assets (increase if revenue was higher than expenses) and (decrease if expenses were higher than revenue). That gain or loss, change in net assets, is an important measure of financial performance for the year.

Understand the Statement of Functional Expenses (Detailed by Program)

A Statement of Functional Expenses is a schedule in the audit and may be an item the Board wants in its monthly reporting. This shows detailed line-item expenses and total expenses by program or line of business. This is helpful when a funder such as USDA/Rural Development provides the funding for a self-help housing program or another line of business.

Monitor Increases and Decreases in Net Assets (Gains & Losses)

The difference between income and expenses will be a gain or a loss. An important goal is to end the fiscal year with a gain. This gain will be the increase in net assets on the balance sheet. A loss will decrease net assets. While some losses might be able to be tolerated given the organization's financial condition, a series of losses is a very dangerous financial trend. When the CPA doing the audit sees three consecutive years of losses, s/he may have to put a note in the audit questioning whether the organization is a "going concern" or not, particularly if the nonprofit has a weak financial condition to fall back on.

What Funders Look For?

Evidence of Sound Financial Condition

- A strong Balance Sheet with considerable Net Assets
- A trend of several years of Increasing Net Assets (gains)
- Reasonable debt structure and amounts due per year
- Increasing annual Income showing diversified funding
- Organizational Budget that is reasonable and stable
- Audit with no findings and organizational health
- If Audit findings, then evidence of prompt corrective action
- Cash or cash equivalents to handle 60-90 days of operations
- Trends (3 years) revenue, funding sources, gains
- Some funders may look at some specific financial ratios

Have an Annual Audit Done and Have CPA Present it to the Board

Annual audits are critical and the norm for nonprofit organizations these days. Except for very small nonprofits, an audit is important information and infrastructure for the organization.

As the federal funder for Self-Help Housing, USDA/Rural Development has some requirements that must be followed:

1. The Audit must contain a sample review of the 502 accounts.
2. The Audit shall be conducted annually and submitted to USDA/RD and the T&MA Contractor in a timely fashion.

The audit is third-party confirmation of the organization's financial condition. The CPA firm that conducts the audit should present the final audit to the Board of Directors, so there is the opportunity for questions and some discussion.

Some Typical Questions Board Members Might Ask the CPA

- How would you assess the organization's financial condition?
- How adequate are the organization's internal controls?
- Does the organization have necessary checks and balances?
- Are financial duties separated adequately?
- How are the organization's financial policies?
- How is our accounting system operating?
- Discuss the Management Letter from the CPA.
- If there are findings, discuss corrective action and resolution.
- Do you have recommendations for the Board?
- Do you see areas that need immediate attention?
- How would the organization's finances be viewed by a funder?
- Is there any evidence of fraud?

An audit will often include a management letter to the Board of Directors. This letter may list concerns or issues the CPA wants to inform the Board about. It is ideal to begin the audit process soon after the fiscal year expires. Having an audit done within 90-120 days provides the organization with a timely audit, record of financial status, and allows use and dissemination of the audit for the balance of the new fiscal year. Audits done late provide non-current information and financial conditions that cannot be acted on. This can lead to a dangerous cycle of late audits.

It is important to think of your auditor as a source of help for the organization, not only at audit time, but year-round. Whenever the organization has a financial related question or decision, use the CPA for technical assistance and help. A question could be how a financial transaction will impact or look on the books? When there is a need for a policy, the CPA can help out with sample wording. If the organization is venturing into a new line of business that includes lending or development, the CPA can advise you.

Every nonprofit that has an income of $25,000 or over must submit the IRS Form 990 annually. This report must be filed on time and accurately. Many nonprofits contract with their CPA to

complete this form for the organization since the numbers used to complete the form will come from the audit. Some nonprofits use the audit and complete the form themselves. The form asks a number of questions about the organization and its policies which should be answered carefully.

Take Prompt Corrective Action to Resolve Any Audit Findings

Audit findings are a big deal and need to be resolved as soon as possible. If not, the finding may be in your next audit as well. This could demonstrate to funders that the organization is not serious or capable of correcting financial problems. Regular audit findings can cause a poor reputation for financial management that may be difficult for an organization to overcome. Findings and deficiencies are red flag warnings that certain policies or internal controls are either not adequate or are not applied. When an auditor first informs the organization of a finding, the Executive, CFO, and Treasurer should sit down with the auditor to clearly understand it and then discuss what actions would be necessary to rectify the situation. Sometimes if the audit is still in draft form the Corrective Action Plan can be developed and included in the audit to show how seriously the organization is taking the situation. Coming up with the Corrective Action Plan is one step. Just as important is implementing the plan and monitoring it to ensure it is achieving the necessary correction.

The Board of Directors must be aware of any audit findings and deficiencies and should provide oversight and monitoring that the finding/deficiency has been resolved.

Be Good Stewards of Finances, Property, Reserves, and Investments

An important role of the Board of Directors is to be Stewards or Caretakers for the organization. That stewardship role is no more prevalent than for the finances of the organization. Finances are often thought of as that which has monetary value, and as such can include property, reserves, facilities, investments, etc. The Board should be interested in the condition of its organizational offices, equipment, and other property that is owned. From time to time, the Board might want to walk through or inspect property to be sure of its condition. If the organization owns significant rental property for instance, the Board might seek a portfolio condition report showing when major maintenance items will be necessary so they can be planned for. If the Board has designated certain reserves such as an Operating Reserve, a Building Reserve, a Working Capital Reserve, or a Loan Loss Reserve, it should make sure those reserves are used and replenished according to policy. Investments should be guided by an Investment Policy and should be reviewed and monitored by a committee of the Board to ensure they are performing adequately.

The organization's office should provide quality workspace for its employees, service space for customers, and meeting space for training and group work and pre-construction meetings. If the organization has warehouse space for materials and equipment, it should be safe and sound. Space that should meet ADA requirements should be in compliance. Signage should be appropriate to guide employees, customers and participant families. Since a USDA/RD primary purpose is to build and finance decent, safe, and sanitary housing, the organization's properties should be in that condition and inviting and confidence inspiring to the public.

Approve Annual Budgets so the Organization can Achieve its Goals

An important financial role for the Board of Directors is its responsibility to approve annual operating and capital budgets for the organization. The budget is an important part of the organization's annual plan which sets forth what the organization plans to accomplish. The budget should adequately staff and resource the organization to accomplish its established goals. Developing the budget is typically a staff responsibility in which it looks at historical spending, goals for the coming year, the staffing pattern necessary to accomplish the goals, and the salary and benefits planned for personnel. The budget should provide support to accomplish the goals in such line items as travel, training, insurance, marketing, office, and consumables, rent and utilities, printing and postage, publications, telephone, equipment purchase/rental/maintenance, consultant, legal, audit, technology, etc. The annual budget is the spending blueprint for the year and it allows the Executive, CFO, and Board of Directors to monitor spending according to the budget. However, the budget shouldn't necessarily be seen as set in stone. The Executive and CFO can seek a modification to the budget, should organizational circumstances change significantly during the year.

It is important that the annual budget also includes revenue projections. This can be broken out by type such as government, foundation, banks, fees for service, donations, etc.

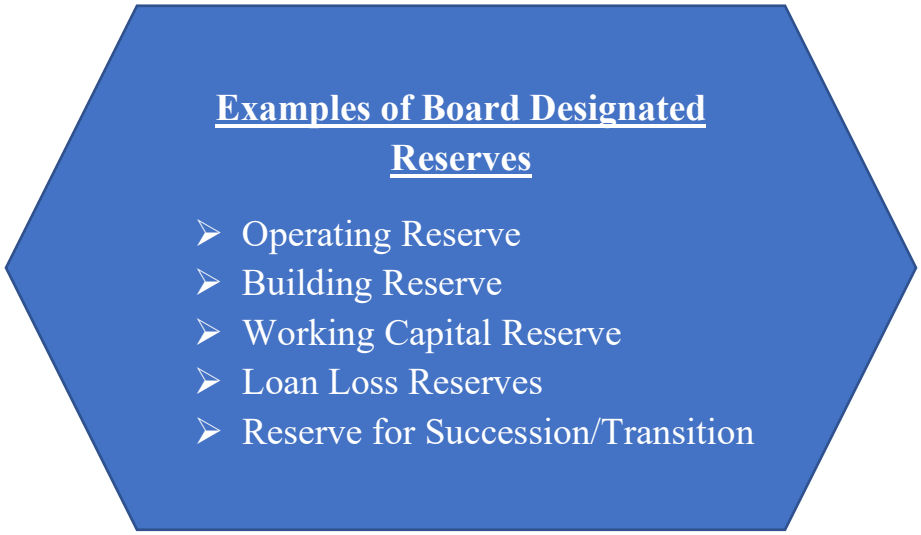
Assure Policies Exist to Protect the Organization's Assets

Since assets represent what the organization "owns," it is important to protect them whether they be money, property, equipment, etc. It is the Board's responsibility and role to make sure financial policies exist to assure internal controls, protection of assets, checks and balances, and separation of accounting duties. While staff may develop the policies and put them together, the Board should take time to carefully review them and make any necessary changes, and then

approve them as an organizational policy. It would be good to have the CPA provide sample policies to consider and/or review the policies that are developed.

Establish Board Designated Financial Reserves When Possible

It may be beneficial for organizations to maintain some reserves to assist in taking advantage of opportunities or to solve problems that occur. Reserves may be best when they are Board Designated so that they cannot be used for any other purpose unless the Board approves it.



When the organization has a good year financially, this is an opportunity to establish or add to reserves to benefit the organization for the long-term. If a substantial emergency or need comes up, the Board can release the designed reserves for another purpose, although that should not be done lightly.

RISK MANAGEMENT

Be Aware of Organizational Risks, Liabilities, and Exposures

The first aspect of risk management is being aware, to the extent possible, of potential risks, liabilities, or exposures for the organization. Somewhat pessimistically, the organization must imagine worst case scenarios and then prepare for them within reason. The Board should ask the Executive to share what areas s/he feels the organization is vulnerable to loss and litigation. Board members may know of potential risks that can exist from previous experience. Insurance professionals are well versed in describing all sorts of risks and potential liabilities. This can be thought of program by program to determine what risks exist with each of the organization's programs.

Maintain Adequate Insurance Coverage and Limits

It is important for the Executive to meet annually with the organization's insurance broker to determine what types of insurance may be warranted and what coverage and limits are adequate. The insurance broker will probably want to have a meeting to discuss what all is new with the organization, such as new staff, programs, properties, and more, so s/he can recommend adequate coverage.

Some examples of insurance to be considered:

a. General Package that includes commercial/office; property (building and contents); electronic data processing (computers, printers, servers, etc.); general liability (products, operation, personal injury, medical, employee benefits liability, hire/non-hired auto, and employee dishonesty. (if employee dishonesty is not in the general liability package then a separate Fidelity Bond is required for the program)
b. Installation and Builders Risk
c. Directors and Officers Liability (D&O coverage is an important protection for volunteer Board members and officers in this litigious time)
d. Employment Practices Liability (discrimination, harassment, wrongful termination)
e. Miscellaneous Professional Liability (errors and omissions attributed to agency and staff when counseling, advising, providing technical assistance to families, etc.)
f. Bankers Professional Liability (errors and omissions, often when nonprofit operates a Loan Fund or lends)
g. Cyber Liability (notifies individuals when breach discovered, reports, provides people credit reports)
h. Workers' Compensation

The organization's insurance broker will shop for the more specialized insurance for the best companies and rates. It is important to receive an insurance summary for the organization's records. A best practice for risk management and asset protection is to have the insurance broker be on the agenda once every year or two to provide an insurance summary to Board members and explain coverage and respond to questions.

Utilize the Insurance Agent for Questions and Technical Assistance

Like the organization's CPA, consider utilizing the insurance broker when questions arise, when starting a new service or program, or when a major change happens within the organization. If

the organization has a potential risk, exposure, or liability, the insurance representative should be contacted for information and advice.

Address Problems as They Arise

Problems rarely go away automatically. Rather, they tend to grow with inaction. When the Board becomes aware of a problem, it is best to address it head-on and promptly. When issues keep appearing on board agendas meeting after meeting with no resolution or conclusion, that is evidence of inaction by the Board. Problems can go on for years without resolution. If a problem seems too big to address and face, the Board should think about engaging a knowledgeable third-party consultant to examine it and provide recommendations for action. Unaddressed, problems grow and fester and become more challenging to resolve. As the problem becomes more challenging, the risk to the organization increases.

Consider a Skilled Labor Attorney for Personnel Questions/Advice

Executives are skilled at what they do but may not be versed in personnel and human relations and resources work. Having a working relationship with a skilled Labor Attorney can be beneficial when a question, conflict, or need arises. The Labor Attorney will be versed in applicable state and federal law. The time and cost of a call on an issue may be a good investment and save the organization more in the long run. Also, a Labor Attorney will help make sure the organization follows the law and executes its personnel work appropriately.

The Board Should Review the Personnel Policies Routinely

Personnel Policies should be reviewed and updated regularly by the Executive or staff designee. As policies are revised and updated, they should come before the Board for approval. A policy review by a skilled Labor Attorney can be beneficial in assuring the modifications are legal and reflect current law. Personnel administration is an area of general risk for organizations and adequate policies must be in place and consistently applied.

Make Sound Decisions

It is important that the Board of Directors make sound decisions and also require sound decision making of its Executive. Alternatives and options should be examined when making decisions. The pros and cons of a decision should be weighed. Potential consequences of a decision should be viewed as well. All of this leads to quality decision making that will benefit the organization and be in its best interests.

Be Consistent in Policy Development and Administration

Policies should synch well with each other and not contradict one another. Also, policies are only helpful if they are administered properly and consistently so that employees, customers, and Board members can count on them. Misinterpretation, too casual of an approach, applying one way today and another tomorrow, showing favoritism in application, all dramatically increase risk and vulnerability for the organization as well as being unfair.

Public Image and Reputation

The Board of Directors should have a good sense of the organization's reputation and public image. Most Boards include a few funders, community members, and content professionals, all of which may hear from different community sectors. If the reputation and public image is deficient and not what the Board would want and expect, it should look more closely into the reasons for it and develop a plan to revitalize it. In this day of vibrant social media, reputation and experiences spread fast, so if this is an issue, it should be dealt with seriously and resolved.

POLICYMAKING

Review Bylaws Regularly, Follow Them, and Amend as Necessary

The Bylaws of the organization guide its operation, particularly that of the Board of Directors. They should be followed implicitly. They will be particularly helpful when the Nominating Committee is preparing for Board elections. From time to time, amendments to the Bylaws may be necessary and should be enacted.

Make Sure Appropriate Policies for the Organization are Developed, Approved, Regularly Reviewed, and in Effect

A role and responsibility of the Board of Directors is to make sure appropriate organizational policies are in place, approved, up-to-date, and consistently followed.

Policies To Have In Effect

- Financial Management and Procurement Policy
- Personnel Policy, including Whistleblower
- Operations Policy, including document retention and safe destruction
- Conflict of Interest Policy, Code of Conduct
- Compensation and Benefits Policy
- Fair Housing and Equal Opportunity Policy

Policies Should be Evenly and Consistently Applied

Policies are only good if evenly and consistently applied. Should the Board of Directors become aware of policies that are not consistently applied, they should address this issue promptly with the Executive to ensure the inconsistency stops.

PLANNING

The Importance of Planning

Planning is important at all organizational levels including team, line of business, program, and annual planning and goal setting. Planning facilitates the establishment of a target to aim for and accomplish. It identifies an issue, need, or problem to be addressed and then defines what the solved problem would look like. Finally, it develops a path to a solved problem or a realized opportunity. While planning may not solve every challenge, it creates some order and methodology to move to a more desired state. The absence of planning can be a chaotic attempt to do what is thought to be right. But without stated goals to reach, action steps to take, resources to facilitate, a timeframe to undertake, and people who are accountable, the absence of planning

is swimming upstream without a paddle. Organizations that plan often have better, stronger, more productive outcomes than those that do not.

Planning is an important role and responsibility of the Board of Directors and a critical aspect of governance. If an organization has a mission, it needs a plan to work towards and achieve that mission. Mission achievement doesn't just happen, it takes focus and effort, both strategically and operationally.

Strategic Plan and Goals

Strategic planning represents planning at the highest level. It is planning by the Board of Directors, the Executive, and input from stakeholders and customers with the goal of advancing the organization to better fulfill its mission. It is often big picture, expansive, creative, and longer-term. And yes, it is strategic, somewhat science and art, towards achieving the organization's most important "end" – the mission. While other plans might be for a project, an event, a service, or a task, strategic planning is done to positive impact the organization. Strategic Plans may be for 3-years and some even for up to 5-years.

Every organization should be operating under the current Strategic Plan. If it is not, the organization has the potential to stagnate and become less relevant. Usually a Strategic Plan has a reasonable number of goals that are important to the success and future of the organization.

The goals are typically more than building "x" homes or securing "y" lots and packaging "z" 502 loans. Strategic goals are more fundamental to the future health of the organization and its ability to effect change in its sphere of operation.

Some Examples of Strategic Goals

- Research expansion of the organization's service footprint to adjacent counties
- Diversify funding by approaching foundations, implementing a fee structure, and beginning to track earned income
- Strengthen the capacity of the organization's back office with accounting and HR skills, training, and software
- Develop a business plan for a new program to address the local need for financial fitness and asset creation
- Consult with an organizational development specialist to improve our structure, supervision, and accountability
- Consider opportunities for strategic alliances (mergers, affiliations, and/or collaborations) to grow the organization
- Consider how the services & organization change because of Covid-19

The Strategic Planning Process

The strategic planning process should be driven by the Board of Directors in cooperation with the Executive. As one plan is completed, it can be assessed and evaluated. A new plan should be underway so there is no significant gap between plans. Boards can decide to use consultants to facilitate the planning or not and do it in-house. Some funders who know and appreciate the importance of strategic planning will fund the planning process and a consultant. There are many ways to do strategic planning. Some processes can take six months or more while others may take a month. Some may use a one- or two-day retreat while others may use multiple meetings. While there are many ways to go about strategic planning, most processes involve the following elements in some fashion.

Elements of the Strategic Planning Process

- Introduction, ice breaker, and sharing some history and current status of the organization, especially if there are new Board members

- Review and update Vision and Mission:

Vision - "A clear vision of the desired state of the organization is essential for high performance" (by Tom Peters)
Mission – Your organization's role in bringing about a change in "your world". Who, What, How, Where

- Look at the organization's Operating Environment and local markets and trends that impact it. (This can include customers, housing needs, competition, resources, geography, barriers, demographics, etc.)

- Learn what stakeholders say & suggest about your organization:
  --survey or convene customers, staff, and partners and funders

- Ask strategic questions about programs:
  --Self-Help Housing
  --Other lines of business (Staffing, production, profitability, resources, stability/growth)

- Are the organization's lines of business suitable for addressing the mission?
  --Are all lines of business appropriate?
  --Are they needed?
  --Are there some new ones to consider?

- Ask strategic questions about the overall organization:
  Staffing, capacity, finances, leadership, sustainability, governance, new programs

- SWOT Analysis
  Strengths of the organization to articulate and build on
  Weaknesses to acknowledge & correct/resolve
  Opportunities to take advantage of
  Threats to be aware of and mitigate or manage

- Develop strategic goals (suggest 4-6)

- Develop action steps, resources, timeframe, and persons accountable necessary to achieve each strategic goal

- Review the Mission again to see if still applicable after the planning work
- Debrief

- Write up a draft plan, Board and Executive finalize it, interpret it to staff, funders, and stakeholders

- Monitor the progress of strategic goals at Board and staff meetings

- Modify plan as may be necessary

Appropriate Lines of Business to Achieve the Mission

The mission describes an overall end or outcome for the organization. From that big picture mission, an organization selects one or more lines of business (programs or services) to offer to help fulfill the mission. Your organization probably operates a self-help housing program and may offer other programs as well such as home repair, weatherization, housing counseling, financial fitness, rental housing development, property management, etc., etc. It is important to assess how well the lines of business of the organization are performing and fulfilling the mission. Some may no longer be relevant. The market could have changed, and a new service may be needed. What gaps exist within the community that your organization could fill well? When considering offering a new program, it is important to develop a business plan to look at the consumer need, what market exists, the resources necessary, how to staff, an annual budget, ambitious but reasonable goals, competition, training, etc.

Annual Operations Plan and Budget

While the strategic plan is a longer-term, bigger picture plan for the organization, an annual plan with goals, activities, and outcomes needs to be developed for your fiscal year. Along with those elements comes a budget by line of business, and by budget category. It is helpful to have the teams for each line of business develop their goals, initiatives, changes, and budgets for the new fiscal year. This is where the self-help team will come up with key performance indicators and list their goals for each. The Executive can edit, modify, and put it all together into an organizational document. This document establishes the goals to be achieved during the fiscal year and it gives the organization a way to measure its effectiveness. The Executive should use these goals in the monthly report they do for the Board of Directors.

Typical Self-Help Goals for the Annual Plan

- Number of families recruited and 502 loans packaged and approved
- Number of self-help groups put into production
- Number of self-help homes completed
- Number of lots or properties optioned and secured
- Look at Purchase Repair option to see if it fits
- List other self-help team initiatives
- Apply for a refunding TA grant

Incorporate Planning and Monitoring into Meetings and Retreats

The strategic plan and annual operations plan should not gather dust on a bookcase shelf. They are the guiding documents for the year ahead (annual operations plan) and for the next three years (strategic plan). Staff reporting to the executive and executive reporting to the Board of Directors should follow the goals set out in these plans. This enables the Executive and Board of Directors to measure progress according to the plan. The Executive's report at Board meetings should highlight progress and problems with the annual operations goals. There should be some review of progress on strategic goals as well at Board meetings. It is important for the Board to monitor progress on the annual operations plan and the strategic plan to make sure progress is as rigorous as possible.

It can be helpful for Boards to have retreats where they take time for planning, monitoring, and strategic plan progress reports in a different setting that is fun and creative.

Succession Planning

Succession planning and Executive transition is one of the most important tasks for a Board to undertake, although the need for it may not happen very often. People often think that succession work only needs to take place when there is an aging Executive. However, positions become vacant for a variety of reasons, some planned, many unplanned. Executive vacancy can occur due to leaving for a different position, termination by the Board, illness or death, or retirement. Only retirement is age related. A succession plan does not have to be a long, arduous document. It can be an outline of tasks and actions to be taken. The planning itself is most important as

Boards begin to ask and answer critical questions. What skills, ability, and experience are needed? What is the direction the organization should be moving in? What are the actual tasks the Executive does? The plan should be kept up to date for when it is needed. When transitioning to a new Executive, a number of sequenced steps should take place before your new Executive is ready to lead.

Succession/Transition Steps con't

- Conduct interviews and rank by selection criteria
- Due diligence, vetting, and reference checks
- Have top candidate or two meet with the Board
- Offer position, negotiate, reach decision, enter into a contract
- Introduce new Executive to Board and staff
- Develop expectations and offer training as needed
- Introduce to community, stakeholders, and funders
- Review progress 60 or 90 days

While this list can look overwhelming, some steps can be combined and work can be delegated, but executive transition is the most important work of the Board. The succession plan is too often overlooked.

MEASURING IMPACT AND RESULTS

Boards have Responsibility to Monitor Outcomes of the Organization

Governance requires the Board to know and understand what the "ends" or outcomes of the organization are and that they monitor them for effectiveness and success. These outcomes are the fulfillment of the mission that the Board has established, and the Board therefore has the responsibility to see how well the mission is being fulfilled. While the Executive has some responsibility for this as well, as s/he makes sure operations are running smoothly and effectively, it is the Board that has the final responsibility.

Determine What Constitutes Success

In order to measure the outcomes of the organization, the Board of Directors and Executive should determine and agree on what constitutes success. This may be set forth in the strategic plan and the annual operations plan. If the work has been done in these plans, then use them to measure success. If not, time should be taken to do so. It is impossible to know if the organization is successful and is achieving the desired outcomes if success has not been defined and quantified. Is success for self-help housing one or more of the following? Completion of six homes? Working with a group of six families to complete their new homes? Development of a cohesive neighborhood through the mutual work and development of six homes?

Results: First, it is important to count your results and have accurate and reliable numbers of persons served, homes built, equity achieved, percentage of VLI and LI served, etc. Knowing these results will facilitate reporting throughout the year and development of an annual report at the end of the year. Results justify the organization's program work and funding. They are the connection with the community and customers who desire results, outcomes, and progress.

Impact: Secondly, the results and outcomes hopefully create an impact on the families and community that may not be as number oriented or quantifiable. However, that impact is more important as it relates to the mission work that the organization is engaged in. Organizations should spend some time defining what impact they are having on the families and community with which they work. An example of impact for a family could be stable housing which allows the family to prosper; assets gained to increase financial means; a healthy home for family development; a move from renting to owning and all that means; a significant family goal achieved which will lead to more; development of leaders for the community; a newly functioning neighborhood and support structure; and more.

Receive Performance Reports

It is important that the Board of Directors receive regular performance and progress reports. The Board and Executive should talk about what format the performance reports should be presented in, and no doubt they will evolve some over time. These reports do not have to be prohibitive in length, they can be concise and informative.

Assess Whether Goals in Annual and Strategic Plans are Achieved

The reason the Board asks for and expects performance reports is not to add busy work, rather it is in their best interest to see whether annual and strategic goals are being addressed and met. The Board should know what results are being achieved during the year in order to make decisions on behalf of the organization. If results are slow or nonexistent, then the Board has an oversight responsibility to intervene with the Executive to find out what is causing the non-performance. If performance is strong, it really creates potential opportunities for the organization as funders and stakeholders see strong results and growing reputation. The Board must have appropriate information with which to be able to assess performance in order to evaluate whether results and outcomes are consistent with plans and are resulting in success.

Strategic goals are usually bigger picture and more organizational in nature. However, they are no less important, and a case can be made that they are of greater importance. The goals are sometimes bigger and more difficult to see progress on. That is why a strategic goal should be accompanied by a detailed action plan that lays out the steps necessary for the goal to be achieved. That action plan should include timeframes, who is responsible, what resources are necessary, and what constitutes accomplishment, for each step. That will allow progress on the strategic goal to be measured.

Assess Whether the Achievement was Worth the Cost

As the Board assesses performance and the achievement of results and impact, it has a responsibility to assess whether the result and effort is worth the cost. There may not be a formula to do this, but the Board should always have a feel that a program, result, impact is effective, efficient, and when looking at "the value proposition" is worth it.

Summarize Accomplishments in an Annual Report

While not a requirement, it can be very beneficial to organizations to compile and issue an annual report of their activities to stakeholders, funders, and the public. An annual report memorializes the work of the organization and maintains an important historical context. It certainly publicizes the organization's good work and tells the story of its results and impacts. An annual report can be as simple or complex as the organization desires. It is an opportunity for the Board and Executive to share results, pictures, satisfied customers, quotes, brief financial reports, thanks to funders and donors, pictures of staff and Board, and more.

Think About the Overall Change the Accomplishments are Making

Are the results and the impact contributing to the overall changes the organization envisioned in its mission? If so, it would seem the organization is on a good track in terms of the effectiveness of the work it is doing.

MONITORING AND STRENGTHENING PROGRAMS AND SERVICES

Be aware of the Organization's Programs and Services

It is important for Board members to be aware of the organization's programs and services. It is those programs and services that embody the mission and connect the organization to the community. Awareness means more than knowing the program's name, it requires knowledge about why the program exists, what the program does, the need that the program fills, and who it primarily serves.

Hear from Program Directors and Receive Regular Reports

For Board members to grow in their knowledge about programs and services, they should hear from Program Directors and the Executive and receive regular reports. It is helpful to have Program Directors make presentations to the Board on a regular basis and respond to questions. Presentations can explain the program and its purpose, they can share progress according to annual goals and trends, they can share opportunities for improvement and growth, and they can share challenges and problems that need to be overcome.

Review Business Plans of Programs

Business plans should be developed for each major program or service. They should include a description of the program, the service area, its primary customers, its activities and goals, trends from the past few years, budget projections including staffing and resource needs, and goals for growth, modification, or problem resolution. The business plan does not need to be complex, but this planning is necessary if the organization values success.

Components of a Business Plan

- Some history and background for the program
- A description of the program
- An assessment of the market, need and interest
- Specific activities, goals and trends
- Service area for the program and delivery plan
- Budget projections and staffing and resources needs
- Cost of service, efficiency and reasonableness
- Funders, commitments, potential for earned income
- Plans for growth, modification, or problem resolution
- Implementation steps, timeframes and responsibilities

Monitor Goal Accomplishment, Results, and Trends

Board members should be aware of whether the goals of the organization's programs are being achieved or not. Reports and presentations to the Board should share the annual goals, the accomplishment year to date, ideally a comparison to the same time last year, and program trends. A simple report format follows:

	Annual Goal	Current Month	YTD	Previous YTD
Homes Rehabilitated	10	2	6	7
Housing Counseling (households)	50	6	38	35
Self-Help 502 Loans (packaged/approved)	8	0	8	7

Ask about Program Opportunities, Issues, or Problems

Reports and presentations to the Board of Directors should include some opportunity for dialogue. Questions from Board members should be welcomed and appreciated. Questions could be about performance and goal accomplishment, customer satisfaction and feedback,

opportunities for program enhancement, any issues that are relevant, and description of any problems experienced.

Help Strengthen Programs and Resolve Any Weaknesses

Board members may have some ideas and insights about the programs operated by the organization. Wearing the organization hat, the Board should always look to strengthen the programs and build their capacity and effectiveness. That includes tackling any weaknesses that exist that may be negatively impacting the program or organization.

The business plan for the program should have a component geared towards strengthening and growing the program if the need exists. The Board should support such efforts when reasonable and prudent.

Help Programs to have Adequate Revenue and Resources

Revenue and resources are needed to make programs stronger and for growth. The budget projections in the business plan for the program should not only project expenditures, but just as importantly, the revenue/income necessary to fuel strengthening and growth activities. The Board may have the ability to allocate resources from the organization's net assets and reserves when appropriate and assist in securing new resources and revenue on which to build.

RESOURCE DEVELOPMENT

Approve an Annual Operating Budget for the Organization

The first aspect of resource development or fundraising is knowing what the organization's needs are. Staff and Executive develop an annual operating budget showing projected expenditures for each program and the organization as a whole. The budget should also list projected revenue sources. It is rare that an organization has all sources in-hand or obligated at the time of budget making. There usually is a portion of the budget "to be raised." The budget establishes the resource development task for the organization.

Resources Are Necessary to Carry Out Organizational Goals

The Board of Directors have the responsibility to see that the organization has the resources necessary to carry out its programs and services. Performance, accomplishments, results, and impact don't just magically happen. It takes resources to fund the staff, travel, equipment, and support for the organization to achieve its mission. Often organizations underestimate what it will take to achieve significant goals. It is best to take time to do a full estimate of the total revenue necessary to make it happen. Resources are usually monetary, but there may be some gifts, volunteer service, or in-kind assistance which are all resources.

Who Does the Resource Development Function for the Organization?

It is important to know who is charged with the resource development function for the organization. How resource development is achieved varies among organizations. A larger organization may have a Resource Development Director or Grant writer. Sometimes the Executive is the chief grant writer. Sometimes grants and fundraising are assigned to the program for which the money is needed, so a program director may do it. Sometimes Board members have particular expertise and will help with resource development or assist with grants that are in their area of focus.

Engage a Resource Development Committee of the Board

Many Boards will have a Fundraising Committee or a Resource Development Committee. The committee can meet with the Executive to find the best way for them to plug in and be of assistance.

Ways a Fundraising Committee Can Help

- Introduce the executive to funders
- Accompany the Executive to funder meetings
- Help to legitimize and sell the request
- Help review proposals and provide input
- If knowledgeable, help write a grant proposal
- Be a reference on a funding request
- Show the funder around during a site visit
- Share the need for services & funding
- Help with donor requests
- Plan fundraising events

Any committee of the Board of Directors should have meaningful work to do. The Executive can articulate the resource needs of the organization and the abilities or limitations of staff. From that the committee members and Executive can develop a work plan, a meeting schedule, etc. Sometimes a quarterly meeting is helpful to learn about prospects for the next quarter and give feedback, guidance, and offer ideas, and see how the committee can be helpful.

Connect the Executive to Potential Funders

Board members have the unique opportunity to connect the organization's Executive to potential funders and resources within their various frames of reference, such as work, clubs, friends, church, etc. It is quite helpful when a Board member can accompany the Executive to a meeting with a funder as it can really help legitimize the request and the organization. Sometimes funders request a site visit to the organization's office or job site to see it in action. Again, it is important for Board members and Officers to attend such a meeting to let the funder know their role and why this organization deserves their attention and funding.

Potential funders can include local government, banks with a community reinvestment responsibility, foundations, corporations, civic organizations, the faith community, and individual donors.

Work to Diversify Funding

It is often important for an organization's survival to have a diverse set of funders. An organization with only one primary funder is in constant danger of going out of business if that one source stops funding them. CPAs who do the audits often include a section entitled "Concentrations" which indicates when a high percentage of the organization's funding comes from one source. This is done to show the potential risk involved and potential loss of resources if that funding is discontinued. Diversified funding makes the loss of one source less critical as the organization has enough other sources to keep operating. Diversification of funding doesn't happen overnight, but it should be a Board and management goal to accomplish over time. Healthy diversification might include funding from the federal government, state government, local government, banks, foundations, corporate sector, private donors, and events.

Keep an Eye on Sustainability by Increasing Earned Income and Investments

Organizations interested in becoming sustainable look at ways to earn income through their work. If a portion of the organization's annual budget is covered by earned income, that reduces

the dependence on grants for that portion, which eliminates some risk. Earned income is legitimate as long as it is used by the organization for its charitable purpose. Earned income can come from fees, services, rent, interest, etc. It is important to the overall financial health of the organization and is a way to further diversify funding. While there may not be earned income from the self-help housing function, there could be other programs and activities the organization does that provide the opportunity. There are two easy ways to measure sustainability and self-sufficiency. They are as follows:

Earned Income Ratio = Total Earned Revenue divided by Total Revenue
This ratio shows how much of your income is earned (fees, rent, services, interest, etc.). The goal is to trend upwards year to year.

Self-Sufficiency Ratio = Total Earned Income divided by Total Expenses
The goal is to trend upward with a larger portion of expenses being covered by earned income and less reliance on grants.

A Resource Development Plan

As a starting point, the organizational budget is a resource development plan as long as it contains the projected revenue for the year, as well as overall expenses. In some cases, the projected revenue may be 100% solid and there may be a "to be raised" portion. Maybe certain lines of business are totally covered, such as self-help housing, where the RD 523 TA Grant should be sufficient for all self-help program expenses. It is understood that even with self-help housing there can be supplemental expenses that the RD grant may be insufficient to cover. Other programs and lines of business may not be as fortunate and may require a number of grants to complete their funding puzzle.

A Resource Development Plan can be as simple as a couple pages or an outline. It can be drafted by the Executive and reviewed by the Resource Development Committee and approved for action. It should simply indicate how the operating and capital budgets are projected to be funded for the year. It may list funding sources to be applied for to cover the expenses. It may list a calendar of key grant deadlines. Usually, more sources should be applied for as it is rare to have all grant requests funded for the full request amount. Also, you want to begin cultivating relationships with new funders that you can add to your mix of diversified sources.

Headings for a Resource Development Plan could include funding needed to be raised overall and by line of business, sources of revenue overall and by line of business, funding needed with no current source identified, new sources to be cultivated, research to be done, and a timetable.

Finally, the Plan should consider both operating and capital needs which often have different types of funding sources.

Board Member Giving and Support

Organizational funding sources typically expect Board members to financially support the organization. Sometimes, the funding applications will ask what percentage of Board members give to the organization and/or what total financial support the Board provides to the organization. It is important that every Board member financially support the organization so the Executive or President/Chair can say that 100% of Board members give. The Board may establish a minimum donation and it should be reasonable based on member's ability to give. The Board can also have an understanding that it is not the size of the gift that matters, rather that all Board members give. The annual request for Board member giving should come from the Board President/Chair and not the Executive as s/he is under the employ of the Board. The amount overall that the Board receives from its members is important and members should be encouraged to give according to their ability and means. At the same time, Board members are volunteers and their time in meetings, planning, committee, events, etc., represents a significant contribution.

KNOWING THE COMMUNITY

Customers Are the Organization's Reason for Being

Customers, participants, or clients, however the people served by the organization are referred to, are the basis and reason for being of the organization. Without the people who have need of the organization's services, there is no need for the organization. Customers should be held in high esteem by the organization and customer service and satisfaction should be a stated priority by the Board and management.

It is important to know the customers, understand their needs and situations, and listen to them so that the organization can serve them in a quality, effective, and timely manner. Customers come from the broader community and that broader community should be understood and known.

See How Well the Organization Serves Customers and Community

It is important that there be a good match between the needs of customers and the community and the programs and services of the organization. If an organization offers programs that are no longer relevant or needed, the Board needs to be aware of this and modify or discontinue the program. Do programs need a tweak or modification to address current needs? If so, the Board should be aware of that and encourage programs to be as relevant as possible.

How does the Board become and stay aware of the relevancy of its programs?

- Board members should keep ears to the ground with community contacts.
- Review current needs assessments of the community.
- Have Executive/staff do a needs assessment of the community.
- Have reports from Program Directors at Board meetings and ask questions.
- Hear from a panel or focus group of customers about their experience with the organization or specific programs.
- Test new programs with panel or focus group of community to see if they match needs

Be Ambassadors to the Community, Connecting the Organization

As Board members, wear your organizational hat when communicating at work, at play, at church, at civic groups, with friends, letting them know your position and taking time to inform them of the importance of the organization. When Board members fully engage, opportunities to connect with customers, the community, funders, and stakeholders will come naturally.

Assist with the Organization's Marketing Plan

As a Board member for the organization, you are an important part of the overall Marketing Plan. As shared earlier, your ambassadorship is important as you connect the organization with your frames of reference. Marketing is an important part of management's effort to promote the offered programs so that more customers and participants will seek out the organization, and also to advance the positive reputation and public sentiment about the organization. Marketing techniques have shifted some over the years from direct advertising, promotion, and information through print media, to new trends of using social media to get the word out in a targeted and instantaneous manner.

Encourage the Organization to Reach Out to the Public

It is important for organizations to reach out to the public and share their good work and successes. The Board of Directors can encourage the Executive to develop an annual report, regular newsletters, and email communications to inform the public. These can be part of the marketing plan, because they can help find new participants, funders, Board members, and supporters for the organization. These along with social media posts can help the organization connect with hundreds and thousands of people over the years.

Engage the Public Through Events

Self-help housing is a unique program and service that has amazing visual opportunities for the public to learn about the organization. Events are important as they bring people together not only to "see", but to "feel" the impact of the organization's work. Open Houses, Dedications, Wall Raisings, and Build Days are all ways to invite the public, stakeholders, government officials, and funders to see the work and results firsthand – seeing how lives are changed. The events and the marketing take time but are huge in their importance and a good way to make the news. Events enable families and participants to share their story of how the organization or program has impacted their lives.

ADVOCACY FOR MISSION, ORGANIZATION AND PARTICIPANTS

Be Passionate and Speak Out With a United Voice

Board members typically join organizations because they are passionate about what the organization does. That passion causes a person to volunteer his or her time for the cause of the organization. The Board member makes a value proposition that their time volunteering on the Board of the organization has as much or more value than alternate opportunities. Board members have a unique voice because they are not paid to do a job. Board members can become vocal with their passion by speaking up about the organization, its mission, and the needs of its participants in a way that the public will listen to.

When the voice of the Board members become louder, more articulate, and united, amazing things can happen. Boards of Directors can develop talking points and powerful messages to share with a united voice, such as:

- Families working together to solve their housing problem
- The severity of the problem of lower income households finding housing
- People learning building trades and how to maintain their home
- Building neighborhoods and community
- Sweat equity to make the dream of homeownership come true
- Homeownership offers stability and a tax base for the community

Testify Sharing What the Organization's Work Has Taught You

Board members and staff learn much from the good work of the organization. What works? What doesn't work? What opportunities exist? How can problems be solved? What programs are effective? Which are ineffective? What needs to be changed or modified? It is important that what is learned in the field through actual work and service delivery helps to improve programs or policies for the better. There is no one better to share an observation about self-help, than a staffer, a Board member, or a participant. The regulation writers and policy interpreters need and want to learn from local experience.

Find ways to connect and testify. Perhaps at a City or County Council hearing, or maybe with state lawmakers, your federal senators and representatives, and also with the USDA RD National Office.

Work to Improve Public Policy and Resources

No one knows how local, state, and federal housing programs work better than the organizations that use them. It is really important to find ways to provide feedback about how the programs work so that policymakers can make necessary modifications and changes. The organization makes a difference by administering the housing programs and it can make a longer-term difference by educating policymakers and program officials about changes and modifications that are necessary for the self-help housing program and others to be the absolute best and most effective that they can be. If staff, Board or participants have ideas of program changes, write them down, think them through, and develop the rationale. Then send it to those who can make and implement the change. That is how public policy is improved.

As the community, state, and federal governments are developing their budgets for housing programs, share the need and demand you see and feel, and advocate for a resource level that can address the need in your community and beyond.

Collaborate with Other Nonprofits

Public policy work is often made easier and more effective when organizations work together and collaborate in coalitions and associations. State and national coalitions exist to help facilitate this advocacy, public policy, and resource enhancement work. Get to know your state housing coalitions or state nonprofit associations and plug into their mutual advocacy efforts. Join national coalitions and associations to link together with organization across the country to make a difference. Join these coalitions and associations, pay the dues, participate in conferences, and share your voice and knowledge to improve affordable housing programs and resources for the people and families you serve.

Lobbying Accountability and 501(h)

Please note the earlier section on lobbying and whether to certify under 501(h). It is important to quantify the cost of lobbying that the organization does. The staff time, travel, memberships and other costs allocated to lobbying should be quantified so the nonprofit can be accountable and list those costs on the IRS Form 990. If 501(h) is not elected, the IRS can use a definition of "substantial" to be determined by the IRS. If 501(h) is elected, the nonprofit will fall into an "allowable amount" based on their eligible charitable expenditures. It is important to take this seriously and quantify and account for lobbying costs in either case.

No Partisan Politics

As an IRS certified nonprofit 501C(3) organization, there can be no partisan politics, no political campaign work, and no use of paid staff time and organizational money on behalf of a candidate or political party. The organization may participate in general efforts to register and increase voter turnout but cannot do so on behalf of a specific candidate or campaign.

ALWAYS DO WHAT IS BEST FOR THE ORGANIZATION

The Board's Duty is to the Organization

The Board of Directors responsibility is to the organization – to make it the best that it can be. Thus, individual Board members must simply do what is best for the organization. All of the Board functions listed in this Handbook can be summed up by always doing what is best for the organization, always doing what is in the organization's best interests.

Put on the Organization's Hat

When at a Board meeting or doing organizational business, each Board member should have the organization's hat on. They should concentrate on the organization. Egos should be left at the door as should conflicts of interest, and other things that are vying for attention.

Make Decisions by Asking What is Best for the Organization

When weighing options, looking at alternatives, and making decisions, it is important to ask what is best for the organization. Use this question of "*what is best for the organization*" to guide decision-making and be the final basis for decisions. If the option, alternative, or decision is not good for the organization, why even consider it? Or if there are more good options, look at which is best for the organization.

Does the Action Improve, Build, Stabilize, or Grow the Organization?

Another way to look at always doing what is best for the organization is testing a decision by asking whether the decision improves, stabilizes, builds, or grows the organization. Create your own list of filters or lenses but ask the question and make sure decisions meet the test.

Take Advantage of Opportunities as They Arise

Opportunities come and go and often have time limits or expiration dates. Some opportunities can be life-changing for organizations and should be given significant attention. If an opportunity is not heeded, it may be lost. Lost opportunities are only thoughts of what could have been. If a Board member or Executive becomes aware of a unique opportunity that could benefit the organization, raise it and make sure adequate time is taken or a special meeting is called to consider it, weigh the pros and cons, and examine the consequences of moving forward.

Solve Problems as They Arise

Problems arise, but rarely go away on their own. Like opportunities, problems can be life altering for an organization if not dealt with. If anything, difficulties intensify and get worse if they are left alone. Dealing with them can be difficult and cause anguish, and they can take valuable time. However, problems are easier if you involve the insight of others on the Board of Directors. Some may require the help of a professional to consult or help evaluate. Instead of pushing it aside or ignoring it, look at options, measure the consequences, and take actions to resolve them.

It is a Mindset

Think of the Board of Directors as a team. All positions must work together well for a win. Put on the organization hat, make decisions that advance the organization, take advantage of opportunities, solve problems, and always do what is best for the organization.

HOW BOARDS OF DIRECTORS RELATE TO THEIR SELF-HELP HOUSING PROGRAMS

Become Knowledgeable About Self-Help Housing

It is important for Board members to learn about their organization's self-help housing program. The program is unique and unlike any other federal or state housing program. Boards should understand the concept, the ingredients necessary for it to work, and the benchmarks for success. For instance, the Board should understand that self-help housing requires the acquisition of building lots or properties to rehabilitate; that family participants must be eligible for RD 502 Direct loans to pay for land/property, materials and subcontracted labor; that participants provide sweat equity or labor to make homeownership affordable; and that the grantee receives a technical assistance (TA) grant from RD to pay for staff, travel, equipment, and support to administer the program for a two-year period. A self-help program typically consists of the following staff functions: project management: finding land/lots on which to build or properties in need of rehabilitation: recruiting participants and packaging their loans: and overseeing construction in groups for new construction and individually for rehabilitation. The Executive or self-help team can provide training to the Board to accomplish this and then regularly report to Board meetings in a way that reinforces the understanding. Board members do not have to know the full 1944-I Instruction, but there will be certain aspects of which there should be understanding and appreciation.

Review and Approve the 523 Grant Agreement for Final Signature

It is important for the Board to be fully aware of the terms and conditions within the 523 Grant Agreement, 1944-I, Exhibit A. Since the Board and/or Executive signs off on it, members should be aware of and concur with what is contained in the agreement. Key items in the agreement include:

Key Items in the 523 Grant Agreement

- Date grant begins and ends, usually 2 years
- Amount of the grant
- Areas served (usually counties)
- Number of homes to be built and/or repaired
- Reporting and audit requirements

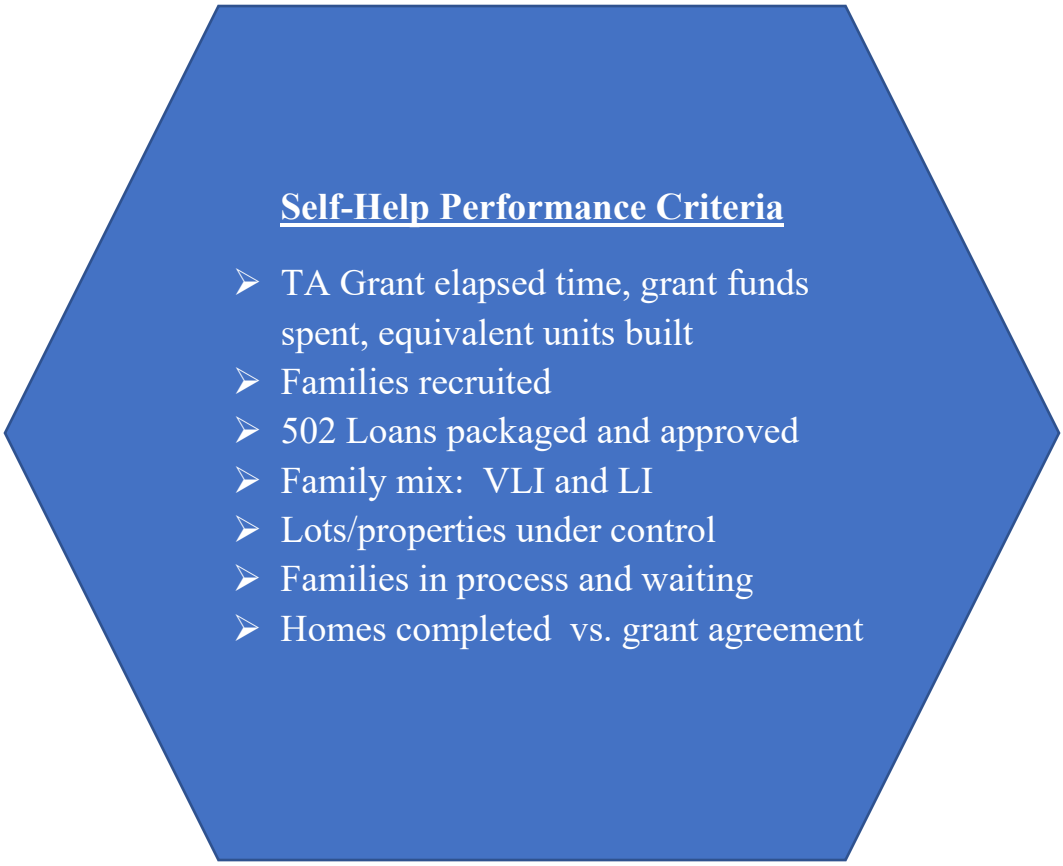
The Board should have a copy of the executed Grant Agreement or at least a summary of contents, such as those listed above.

Have at Least the Minimum Board Members Required by RD

The organization's Bylaws will stipulate the number of Board members or minimum and maximum Board size. RD requires a Board of Directors which consists of not less than five (5) members. For smaller organizations (i.e. less than 5 staff members) a board of three is authorized. In reality, most Boards are larger than this in order to have the skills, experience, and diversity necessary to properly govern a nonprofit organization. Also, most Boards have an odd number of Directors to avoid tie votes to the extent possible.

Have Regular Self-Help Housing Program Updates at Board Meetings

The Executive or Self-Help Project Director should provide program updates at Board meetings. These can include a summary of progress compared to the grant terms and conditions. Key indicators to report on could be.



Measure Grant Period with Grant Spent and Progress Realized

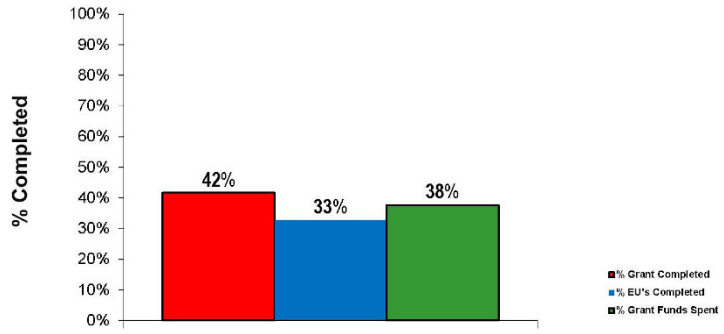
A simple and visual approach to reporting self-help housing progress is to compare and graph:

1) the % of grant period completed (time), with
2) the % of units completed (progress), and
3) the % of grant funding spent (money used).

Ideally the three percentages should be closely aligned if the program is being managed well.

Grant Progress Analysis Report

January-21



Months Complete	Grant Period	% Grant Completed	EU's to Date	EU's Proposed	% EU's Completed	Grant Funds Spent to Date	Total Grant Funds	% Grant Funds Spent
10	24	42%	7.20	22	33%	$226,085	$600,000	38%

The first group of six participants have completed and moved into their homes. The second group have closed their loans and are just getting out on site. Excavation has begun on three of the sites. The next group is in the process of being determined eligible. They are hoping to close this group in a few months. Their next QRM will be held on February 22nd.

Learn the 5 Key Evaluation Goals for Self-Help Housing

At the end of the grant period a final evaluation will be done by RD. It is important for the Board of Directors to be aware of the criteria for receiving an Outstanding or Acceptable rating at the end of the grant period. This way, the Board can monitor the rating criteria during the grant period.

The five (5) evaluation criteria to be used to rate the grantee are as follows:

(1) Assisting the projected number of families in obtaining adequate housing.

(2) Meeting the goal of assisting very low-income families.

(3) Meeting the family labor requirement in §1944.411(h) and Exhibit B-2 of this subpart. For rehabilitation use Exhibit K-2. (Revised 12-12-19) PN 532.)

(4) Keeping costs within the guides set in §1944.407.

(5) Meeting other objectives in the Agreement.

The rating will be either unacceptable, acceptable, or outstanding, as follows (see Exhibit O for a sample final evaluation letter): (Revised 12-12-19) PN 532.)

(1) Outstanding if the grantee met or exceeded all of the goals in paragraph (a) of this section.

(2) Acceptable if the grantee met or exceeded all of the goals as defined in paragraph (a) except two.

(3) Unacceptable if the grantee failed to obtain an acceptable rating.

Meet with a Focus Group of Self-Help Participants

Another approach to measuring the success of the self-help housing program could include hosting a focus group of self-help participant families to learn how they view the program during and after the process. This could provide valuable testimony about the value, benefit, and impact of the program for participating families. It can also help by offering ways to improve the program.

Attend Public Self-Help Housing Events

An easy way to learn more about self-help housing and to stay current with it is to attend events which celebrate the success and impact of the program. Events could include Home Dedications, Open Houses, Wall Raisings, Ground Breakings, and Build Days. These are opportunities to see self-help housing first-hand and to hear from participant families and stakeholders about how the program has impacted them. If the self-help grantee is not having any celebratory events, perhaps the Board of Directors can make that recommendation. Stakeholders including families, funders, USDA/RD, local and state politicians, and the community will be there to learn with you.

Have Board Members Attend Quarterly Review Meetings

Grantees have Quarterly Review Meetings with USDA/RD to review progress, share any concerns, and resolve problems to make sure the grantee and its self-help work stays on track to accomplish its goals in a timely manner. Usually the Executive and the Self-Help Project Director attend, along with various RD personnel assigned to monitor the grant. Also, the T&MA Contractor is present and often helps facilitate the meeting. It may be helpful to have representatives of the Board at these meetings. First, it shows that the Board of Directors is interested enough in the program to attend a progress meeting. Second, the Board representative will interact first-hand with a major funder and will learn about the progress and any problems the grantee faces. Third, it creates a healthy accountability within the grantee between the Board

and the Executive. There is absolutely no downside in Board representatives attending the Quarterly Review Meetings, only upsides.

Approve the Board Resolution for the 523 Grant Application

1944.411 Conditions for approving a grant (d) requires that a resolution has been adopted by the board of directors which authorizes the appropriate officer to execute Exhibit A (Self-Help Technical Assistance Grant Agreement) of the subpart and Form RD 400-4 "Assurances Agreement."

The Board must approve a resolution naming the official(s) who are authorized representatives of the organization and authorized to sign all documents pertaining to the grant. The resolution should also authorize the signature of the grant agreement which describes the terms and conditions of the grant. The Board should have a good understanding of what the administration of a self-help housing program entails. The Board should know the number of homes to be built or rehabilitated, the grant amount, the grant period, and other terms and conditions.

Execute Assurance Agreement for the 523 Grant Application

USDA Form RD 400-4 is an Assurance Agreement executed by the grantee organization and signed by an authorized representative and submitted as part of the 523 Grant Application. The Assurance Agreement assures USDA that the grant recipient is in compliance with and will continue to comply with Title VI of the civil Rights Act of 1964. In accordance with the Act and the regulations, the recipient agrees that in connection with any program or activity for which the recipient receives federal financial assistance, no person in the United States shall, on the ground of race, color, or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination. (7CFR Part 15)

This is a serious agreement, and the grantee should not execute it without making sure that it does and will continue to comply. A breach or violation of this agreement could cause the government to terminate financial assistance or enforce the agreement by suit.

Execute Drug-Free Workplace Certification for the 523 Grant Application

USDA Form AD-1049 is a Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I – For Grantees Other Than Individuals. This certification is executed by the grantee organization and signed by an authorized representative and submitted as part of the 523 Grant

Application. Certification is required by the regulations of the Drug-Free Workplace Act of 1998, and as amended and published on June 15, 2009 and on December 8, 2011.

The organization generally certifies items such as: a good faith effort to have a drug-free workplace at its work locations, publishing a statement notifying employees of unlawful drug activity and consequences, implementing an ongoing drug-free awareness program informing employees, drug-free status is a condition of employment, employee notification requirement of a drug related conviction, and appropriate personnel action when an employee is convicted of a drug related offense. (2 CFR Parts 182 and 421)

This is a serious certification, and the grantee should not execute it without making sure that it does and will continue to comply.

Execute Debarment, Suspension, and Other Responsibility Certification for the 523 grant Application

USDA Form AD-1047 is a Certification regarding Debarment, Suspension, and Other Responsibility Matters. This certification is executed by the grantee organization and signed by an authorized representative and submitted as part of the 523 Grant Application. Certification is required by Executive Order 12549, Debarment and Suspension, and 2C.F.R. Section 180.335 as amended on August 31, 2005. The grantee organization is certifying that it is not presently debarred, suspended, or proposed for such; have not within a 3-year period been convicted of a civil judgement or criminal offense of fraud, theft, embezzlement, etc.; are not presently indicted with similar offenses; and within a 3-year period have had a transaction terminated for default. (2 CFR 180.335)

This is a serious certification, and the grantee should not execute it falsely.

Execute Certification Regarding Lobbying for the 523 Grant Application

RD Instruction 1940-Q, Exhibit A-1 is a Certification regarding Lobbying. The certification is executed by the grantee organization and signed by an authorized representative and submitted as part of the 523 grant Application. It certifies that no federal funds were or will paid to an officer or employee of USDA or employee of or member of Congress to gain this federal award; that if any funds were paid for the above purpose in connection with this grant that an SF – LLL "Disclosure of Lobbying Activities" be completed and submitted; and that lobbying language be included in awards to be made in contracts, subcontracts, etc.

This is a serious certification, and the grantee should not execute it without making sure that it does and will continue to comply. Failure to do so can result in a civil penalty of not less than $10,000 and not more than $100,000 for each failure.

Other compliance agreements in the 523 Grant Application

There are several other assurances the grantee makes during the application process, and the organization is held responsible for compliance. For example, the grant application contains an Affirmative Fair Housing Marketing Plan which is meant to guide and to ensure that the program complies with the Fair Housing Act. This plan is meant to help reach out to those least likely to apply due to either racial, ethnic, or language barriers. (A more complete description of Fair Housing and compliance requirements is included in the appendices)

Another assurance is that the grantee will conform to the federal financial guidelines. Some of these used to be the familiar Office of Management guidelines (e.g., A-122, etc.), but the federal government has recoded these across all agencies. They are now housed in the updates as 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards which were adopted on August 13 and went into effect on Nov. 12, 2020. The auditing requirements were described in the previous section, but the restrictions on expenditure and accounting standards are also detailed in the new code.

Appendix 1

NAME OF ORGANIZATION

BOARD MEMBER JOB DESCRIPTION

Mission Statement

Vision Statement

Primary responsibilities and functions of the Board of Directors

Elections and Board Operations	General Oversight and Assessment
Employment of the Executive	Financial Management and Health
Risk Management	Policymaking
Strategic and Annual Planning	Measuring Impact and Results
Monitor and Strengthen Programs	Resource Development
Know the Community	Advocacy for Mission and Organization

Always do what is best for the organization

Board members have service and attendance responsibilities

- Carry out the office of director as found in the Bylaws
- Place a high priority on attendance, participation, and preparedness at Board and Committee meetings, willing to share expertise, discuss issues and make decisions
- Learn about the organization and its programs, attend events, connect with community
- Disclose potential Conflicts of Interest to the Board for appropriate review and action
- Be willing to serve as an officer, on a standing committee, or an ad hoc task force
- Thoughtfully, help recruit new Board nominees for elections, fill vacancies that may exist from time to time, and be guided by the skills or representations needed
- Become informed about housing and community development issues, and trends
- Make a personal financial contribution to the organization annually
- Have fun, be collegial, work as a team, reach consensus, and speak with one voice

Board Member Job Description and Expectations

Elections and Operation – Hold annually for expiring terms and officers according to Bylaws

- Assess skills and experience the board needs and keep a matrix and board profile.
- Have a functioning Nominating Committee to recruit, vet, develop slate, and orient.
- Assure meetings have agendas, minutes, and financial reports.

General Oversight and Assessment – Be aware of key aspects of organizational health

- Receive regular reports from the executive and hear from stakeholders and customers.
- Find ways to see the organization in action.
- Use 3rd party confirmation from audits, professionals, and intermediaries.
- Become aware of organizational capacity and do an annual board assessment.

Employment of the Executive – Employ, support, encourage and evaluate the Executive

- Select, employ, establish expectations, and evaluate performance.
- Provide fair pay and benefits and learn how comparable organizations compensate.
- Have a succession plan and be responsible for executive transition.

Financial Management and Health – Assure healthy finances, management, and policies.

- Receive, understand, and assess monthly financial reports.
- Approve annual budgets and monitor expenses.
- Assure financial policies protect assets with safeguards and internal controls.
- Have annual audit done and have it presented to the board by the CPA.
- Take prompt action to correct audit findings and resolve any financial challenges.

Risk Management – Be aware of potential risks and take action to manage and mitigate

- Maintain full insurance coverage and have broker present summary to the board.
- Have access to attorneys and HR specialist when necessary.
- Make sure all personnel, benefits and related policies are current.
- Take stock of organization's public image and reputation.

Policymaking – See that Bylaws and organizational policies are regularly reviewed and followed

- See that policies such as Personnel, Financial Management, Operations, Conflict of Interest, etc. are in place, current, and applied consistently.
- Revisit policies every so often, update, amend as necessary.

Strategic and Annual Planning – Assure adequate planning guides the future of the organization

- Do strategic planning, yielding goals and activities by which to operate.
- Have an annual plan, goals, and budget to guide the organization through its fiscal year.
- Incorporate the review of the progress of strategic and annual plans at meetings.

Measuring Impact and Results – Determine what metrics result in success and measure them

- Monitor performance outcomes through regular reports from the executive.
- Assess whether strategic and annual goals are being achieved.
- Define the overall change and impact from the outcomes and results.

Monitor and Strengthen Programs – Learn about the programs and seek to strengthen them

- Hear from program directors, see what programs achieve, hear from beneficiaries.
- Monitor programs and services and find ways to resource and strengthen them.

Resource Development – Approve annual budget and work to assure adequate resources exist

- Engage a resource development committee to work with the executive.
- Connect executive to potential funders, accompany to meetings, and legitimize requests.
- Work to diversify the breadth of funding.

Know the Community -- Know the community and its needs

- Hear from customers about how the programs are doing and about their needs.
- Be ambassadors to the community by connecting the organization.
- Participate in the organization's marketing plan or effort, and utilize newsletters, annual reports and social media.

Advocacy for the Mission and Organization – Advocate effectively for the nonprofit's purpose

- Seek improved public policy, helpful program changes, and adequate resources.
- Be passionate about the organization and the work you do and speak with a united voice.
- Collaborate with other nonprofits, coalitions, and associations to strengthen your voice.

Always do what is best for the organization – The Board's duty is to the organization

- Make decisions by asking what is best for the organization.
- Ask whether decisions advance the organization and build its capacity.
- Take advantage of opportunities as they arise and resolve problems promptly.

Appendix 2

SAMPLE BOARD MEMBER CONTRACT

Name of Organization

I, _____, understand that as a member of the Board of Directors of _____, I have a legal and ethical responsibility to ensure that the organization does the best work possible in pursuit of its goals. I believe in the purpose and the mission of the organization, and I will act responsibly and prudently as its steward. As part of my responsibilities as a board member:

1. I will interpret the organization's work and values to the community, represent the organization, and act as a spokesperson.

2. In turn, I will interpret our constituencies' needs and values to the organization, speak out for their interests, and on their behalf, hold the organization accountable.

3. I will attend at least 75 percent of board meetings, committee meetings, and special events.

4. Each year I will make a personal financial contribution at a level that is meaningful to me.

5. I will actively participate in one or more fundraising activities.

6. I will disclose and excuse myself from discussions and votes where I have a conflict of interest.

7. I will stay informed about what's going on in the organization. I will ask questions and request information. I will participate in and take responsibility for making decisions on issues, policies, and other matters. I will not stay silent if I have questions or concerns.

8. I will work in good faith with staff and other board members as partners toward the achievement of our goals.

9. If I don't fulfill these commitments to the organization, I will expect the board president to call me and discuss my responsibilities with me.

The organization is responsible to the board members for . . .

In turn, the organization will be responsible to me in the following ways:

1. I will be sent, without having to request them, regular financial reports and an update of organizational activities that allow me to meet the "prudent person" standards of the law. This will include the receipt of the annual Audit Report. (The "prudent person rule," applied in many legal settings in slightly differing language, states that an individual must act with the same judgment and care as, in like circumstances, a prudent person would act.)

2. Opportunities will be offered to me to discuss with the executive director and the board president the organization's programs, goals, activities, and status; additionally, I can request such opportunities.

3. The organization will help me perform my duties by keeping me informed about issues in the industry and field in which we are working and by offering me opportunities for professional development as a board member.

4. Board members and staff will respond in a straightforward fashion to questions that I feel are necessary to carry out my fiscal, legal, and moral responsibilities to this organization. Board members and staff will work in good faith with me toward the achievement of our goals.

5. If the organization does not fulfill its commitments to me, I can call on the board president and executive director to discuss the organization's responsibilities to me.

Signed by: _____, Board Member Date_____

and by: _____, Board President/Chair Date_____

Appendix 3

CHECKLIST
of Board Roles and Responsibilities

Basic board roles and responsibilities are the foundation for a successful board. This checklist is designed so you can quickly remind yourself of your key responsibilities. It's also a great board orientation tool! Can you check all the boxes?

ESTABLISHING IDENTITY AND DIRECTION

- Has the board adopted or revised a strategic plan or defined a strategic direction for the organization within the past three years?
- Does the board ensure that the organization's mission, vision, and values are reflected in the organization's programs?
- Are the organization's strategic priorities adequately reflected in the annual budget?

ENSURING THE NECESSARY RESOURCES

- Does the board have policies about funds to be pursued or accepted in support of the mission?
- Does the board expect all its members to be active participants in fundraising efforts?
- Does the board's composition reflect the strategic needs of the organization?
- Is the board confident that the chief executive's skills and other qualities represent a good match for the organization's strategic needs?
- Does the board seek, and review information related to the organization's reputation?

PROVIDING OVERSIGHT

- Does the board contract with an outside auditor for the annual audit?
- Does the organization have up-to-date risk management policies and plans?
- Does the board monitor progress toward achievement of goals in the organization's programs?
- Does the board have a clear understanding of the organization's financial health?
- Does the chief executive receive an annual performance review by the board or committee?
- Are board members familiar with the chief executive's compensation package?

BOARD OPERATIONS

- Does the board regularly assess its own performance?
- Are organizational and board policies regularly reviewed, including Bylaws?
- Do committees and task forces actively engage board members in the work of the board?
- Do board meeting agendas focus the board's attention on issues of strategic importance?
- Do board members have easy access to information needed for effective decision making?

Appendix 4

BOARD OF DIRECTORS
CODE OF CONDUCT

The Board expects of itself, as a whole and each individual director, ethical, responsible and business-like conduct. Directors are responsible for discharging their duties in good faith, with the care an ordinary prudent person in a like position would exercise under similar circumstances, and in a manner in the best interests of the organization. Board members will abide by all Board Policies and the Bylaws.

1. **CONFIDENTIALITY** - Board members agree to respect confidentiality with regard to issues of a sensitive nature such as personnel information, financial information, unannounced expansion plans, strategies or contractual relationships, certain legal issues, and draft documents not yet released to the public.

2. **THE BOARD SPEAKS WITH ONE VOICE** – The power of the Board is not as individuals but as a group. Sometimes differences occur when reaching decisions. Once a decision is reached and approved all Directors should speak in unity.

3. **DIRECTORS WILL BE LOYAL TO THE ORGANIZATION** – As Board members, loyalty to the organization should be understood and exercised, as accountable governors or trustees for the organization.

4. **DIRECTORS AGREE TO FOLLOW MEETING PROCEDURES** – Attend; abide by attendance requirements; provide continuity; be prompt; be prepared; read the Board packet prior to the meeting; and if unable to attend, notify the President.

5. **PARTICIPATE EFFECTIVELY IN BOARD MEETINGS** – Express one's own opinions; listen respectfully to the opinions of others; accept group decisions as legitimate; share responsibly; support the President and Board decisions and accountability.

6. **DIRECTORS OR SUB-GROUPS OF DIRECTORS WILL NOT ATTEMPT TO EXERCISE INDIVIDUAL AUTHORITY OVER STAFF** – that is the role of the Executive.

7. **DIRECTORS OR SUB-GROUPS OF DIRECTORS WILL NOT ATTEMPT TO EXERCISE INDIVIDUAL AUTHORITY OVER THE EXECUTIVE EXCEPT AS EXPLICITLY SET FORTH IN BOARD POLICIES OR AS AUTHORIZED BY THE FULL BOARD** –that is the role of the full Board.

8. DIRECTORS WILL AVOID CONFLICTS-OF-INTEREST.

a. Directors have an affirmative obligation to state/disclose any possible conflict of interest of their own or of any other Director. The conflict-of-interest forms required of all directors shall be made available to and completed by all directors.
b. A Director with a conflict of interest will not vote on a related issue and will absent themselves from discussion of the issue.
c. Directors will not use their position on the Board to leverage unfair competitive advantage in conducting business with the organization.
d. Directors will not use their positions to obtain for themselves, family members, or associates, employment, business, or benefit, including financial, from the organization.

I agree to abide by this Code of Conduct Agreement and abide by Board Policy and Bylaws in the execution of my service to _____.

I have an affirmative duty to disclose any actual or potential conflicts of interests I may have.

Name: _____ Date: _____

Appendix 5

BOARD OF DIRECTORS
CONFLICT OF INTEREST
CERTIFICATE OF COMPLIANCE

(To be completed annually by all Board members)

I hereby certify that as a Board member, I have reviewed the contents of *the organization's* Code of Ethics and/or Conflict of Interest Policies and have considered my personal situation in light thereof. I have obtained an interpretation of any provision about which I had a question. I further certify the following (check appropriate box):

☐ To the best of my knowledge, I am not in violation of the organization's Code of Ethics or Conflict of Interest Policies and have not been in violation since the date of my last certification or as of the date on which I became a member of the Board of Directors.

or

☐ I have made a full disclosure on the back of this certificate of (1) the facts regarding any possible violation of the principles set forth in the Code of Ethics, (2) any positions held as officer or director of a for-profit business enterprise or not-for-profit organization, and (3) any potential conflict of interest. Except for this disclosure, to the best of my knowledge, I am not in violation of the organization's Code of Ethics or Conflict of Interest Policies and have not been in violation since the date of my last certification or as of the date on which I became a member of the Board of Directors.

I understand the President or Chair of the Board of Directors will review this certificate and I will make myself available for any questions or explanations.

_____ _____

Name of Board Member Signature of Board Member

_____ _____

Board Title (if applicable) Date

Appendix 6

Board Member Self-Evaluation

An opportunity for an honest, self-assessment of how you are doing as a Board member can be helpful. It is not meant to frustrate but rather give impetus and direction for the new year.

Have I attended Board meetings on a regular basis? How many over the past year? Am I complying with attendance requirements in the Bylaws?

Have I participated in Board discussion, planning, decisions, and voting?

Have I read the program and financial reports provided monthly?

Have I monitored the organization's spending, revenues, and helped protect its assets?

Did I vote to approve the organization's annual budget?

Was I present for the Audit review presentation by the CPA?

Am I adequately informed about the organization?

Do I subscribe to the organization's mission, vision, and values?

Have I participated in strategic planning, annual planning or Board retreats?

Have I found ways to be an ambassador for the organization, connecting it to the community?

Have I been supportive of and encouraging of the Executive and of staff?

Have I served as an Officer or on a committee such as Nominating, Finance, Fundraising, etc.?

Have I functioned as a Board member without conflict of interest or by disclosure?

Has my participation enhanced the operation and performance of the organization?

Have I helped to make sure the organization is a good steward of resources?

Have I made a monetary contribution to the organization?

How can I improve my performance as a Board member for the coming year?

Appendix 7

EVALUATION OF THE BOARD OF DIRECTORS

This is an evaluation of the organization's Board of Directors by Board members and done together. Each person should complete the questionnaire. It will then be tabulated, and the outcome will be discussed, or it can be assessed together reaching consensus. Thank you for your participation.

	YES	NO	DON'T KNOW	N/A
How well does the Board function?				
Do meetings take place regularly and have quorums?				
Are minutes kept and financial reports presented?				
Are meetings well run, timely and participatory?				
Is the Board's size and composition appropriate?				
Do committees function well and report out?				
Is there an effective balance of work and fun?				
Are conflicts of interest disclosed?				
Does the Board speak with one voice?				
The Board's Involvement in Planning:				
Is the Mission reviewed, clarified and adhered to?				
Does the Board undertake strategic planning?				
Is an annual operating plan and budget in place?				
Are there Board Retreats to plan and look ahead?				
The Board's Fiscal Oversight:				
Are up-to-date financial reports provided monthly?				
Are financial reports presented and acted upon?				
Are audits conducted yearly & presented by CPA?				
Are sufficient financial policies in place?				
Are there sufficient internal controls?				
Are assets protected and insured?				
Are financial reserves maintained?				
Have there been any incidences of fraud?				
Is appropriate risk management undertaken?				
The Board's Role in Policy Making:				
Are the Bylaws up to date and reviewed?				
Does the Board review/approve policies?				
Does the organization have a Code of Ethics?				
Does the organization have sufficient policies?				

	YES	NO	DON'T KNOW	N/A
The Board's Assessment of Performance:				
Are performance reports provided regularly?				
Is performance assessed and challenges discussed?				
How are each of the programs operating?				
Does staff have skills to achieve performance goals?				
Are there 3rd party reviews?				
Is the Executive Director evaluated annually?				
The Board's Role in Resource Development:				
Are members involved in resource development?				
Are sources of revenue regularly reported on.				
Do members suggest new sources to explore?				
Is there progress on resource diversification?				
Is there focus on sustainability and earned income?				
Do Board members contribute to the organization?				
The Board's Advancement of the Organization:				
Are the Executive and Board collaborative by nature?				
Is the org. affiliated with successful partners?				
Do Board members act as ambassadors?				
Does org. publish an annual report and newsletters?				
Is social media used responsibly and effectively?				
Does the Board enhance the org's reputation?				
Does the Board guide and direct the agency?				

Talk about the "No" and the "Don't Know" answers to see what needs attention and a tune-up.

Are there areas of improvement needed for the Board of Directors?

1.
2.
3.

Are there areas of improvement needed for the organization?

1.
2.
3.

List activities necessary to reach improvements and goals and create a development plan that becomes an agenda item at Board meetings over the coming year.

Appendix 8

BOARD DIAGNOSTIC QUESTIONS

Quality governance is critical to the success of an organization. Boards of Directors don't exist just to fulfil a requirement, rather they should play a vital role in a top performing organization. Afterall, aren't Boards of Directors at the top of the organizational chart? As ambassadors and fiduciaries of the organization, it is the Board's oversight, planning, policy development, accountability, evaluation, and employment of an Executive that are the steering wheel for the organization.

Are your Board slots full? If not, why not? Your organization needs a full, functioning Board with a variety of skills, representations, and demographics to undertake its efforts. Are there Board members with legal, financial, business, nonprofit, real estate, government, social service, consumer, and fundraising skills?

How is attendance? Is attendance sporadic? Are quorums a problem? There is no room for inactivity on Boards these days. If members are not present, they cannot function. Attendance should be tracked and if the Bylaws speak about non-attendance, they should be enforced.

A diagnostic assessment. An assessment of how the Board of Directors operates can show if any problems may need addressing. The following questions can lead to a good discussion of how to give the Board a tune-up.

- When did the Board last evaluate the Executive?
- When did the Board last review the Bylaws?
- Does your CPA present the audit to the full Board annually?
- How would you assess the organization's minutes?
- Are comprehensive financial reports provided monthly in a format that is easy to understand?
- When did the Board last do strategic planning and is the organization working under a current plan? If so, was there full discussion of Mission/Vision, the operating environment, strengths/weaknesses, opportunities/threats, and were stakeholders heard from?
- Are elections held annually at a duly called Annual Meeting?
- Does the Board approve the organization's operating budget and monitor spending according to the budget?
- What policies has the Board reviewed/approved? (personnel, financial, operations, etc.)

- Has the Board designated any financial reserves? (operations, working capital, building, succession, etc.)
- How often are Conflict of Interest forms completed by Board members?
- Does the Insurance agent provide a summary of the organization's insurance coverage to the Board?
- Does the staff do presentations about the organization's programs?
- Does the Board hear directly from customers and stakeholders?
- At meetings, does the Board reserve time to do forward, strategic thinking about the organization's future?

Board Development. During a full discussion if there are some concerns, the Board can list those and come up with a Board Development Plan to improve weak areas internally by itself or with the help of an organizational development specialist.

Appendix 9

SAMPLE BOARD PROFILE FORMAT

Examine the demographics, expertise, constituencies, and connections of existing Board members to see if gaps exist to fill that would strengthen the organization.

Age: Under 35? # and %
35 to 50?
51 to 65?
Over 65?

Gender: Male? # and %
Female?

Race/Ethnicity:
African American/Black? # and %
Caucasian?
Hispanic/Latino?
Asian-Pacific Islander?
Native American?

Urban / Rural: Urban**?** # and %
(live or work) Rural?

Constituency Representation
Participant, potential participant
Broader community
Funder or investor
Government

Expertise Representation
Affordable housing
Homeless/shelter/transitional
Real estate development
Planning
Community development
Social services
Community organizing/revitalization
Energy/Green
Financial management
Administration/management
Fundraising
Legal
Public relations/marketing
Technology

Connections and Influence
Government (local, state, federal)
Religious organizations
Banking community
Corporate (large & small)
Political
Media
Philanthropy

Gaps to consider filling:
What Ages to add?
What Race/Ethnicities to add?
What Constituencies to add?
What Expertise to add?
What Connections & Influence to add

Board Development Plan
It is important to do self-assessment and determine what is needed for a capable and effective Board of Directors. Develop a plan to accomplish what is needed.

Appendix 10

BOARD MEMBER MATRIX

Board Members	1	2	3	4	5	6	7	8	9	10	11	12	Total	%

Demographics

Age – Under 35
35 to 60
Over 60

Race-Ethnicity
African American/Black
Caucasian/White
Hispanic/Latino
Asian-Pacific Islander
Native American

Gender Male
Female

Expertise Representation

Affordable housing & CD
Real Estate
Social service
Energy/Green
Financial management
Fundraising
Legal
Public relations, marketing
Technology
Planning
Lending
Training
Organizing, revitalization
Project management
Events

Connections, Influence, Representation

Government – Local
State
Federal
Funder, Investor, Potential
Consumer or Participant
Religious organization

Board Members	1	2	3	4	5	6	7	8	9	10	11	12	Total	%
Banking community														
Corporate (large & small)														
Political														
Media														
Philanthropy														

Gaps to Consider Filling

AGE:

RACE/ETHNICITY:

EXPERTISE:

CONNECTIONS/
INFLUENCE

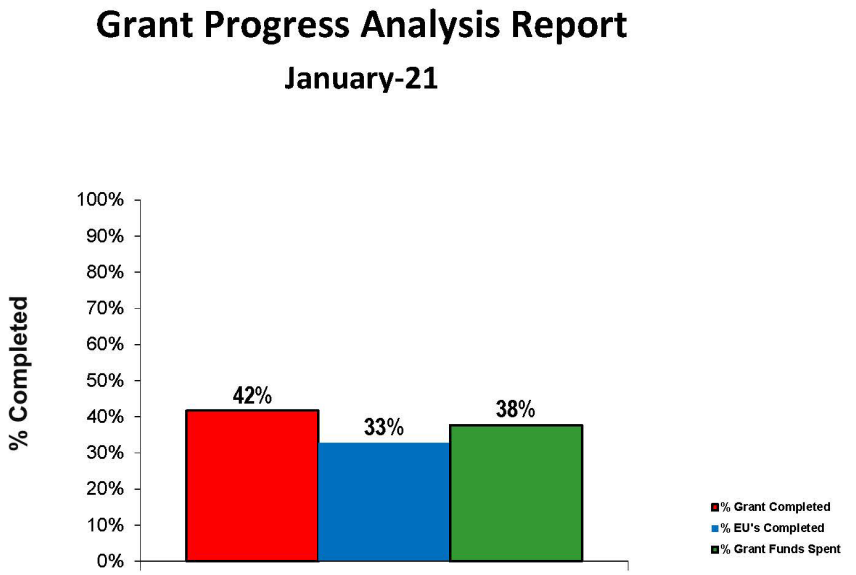
OTHER:

Develop a plan to accomplish building the most competent, representative, and diverse Board of Directors possible.

Appendix 11

Self-Help Progress Report Format

(Comparing elapsed grant period with EU production and grant funds spent)



Months Complete	Grant Period	% Grant Completed	EU's to Date	EU's Proposed	% EU's Completed	Grant Funds Spent to Date	Total Grant Funds	% Grant Funds Spent
10	24	**42%**	7.20	22	**33%**	$226,085	$600,000	**38%**

The first group of six participants have completed and moved into their homes. The second group have closed their loans and are just getting out on site. Excavation has begun on three of the sites. The next group is in the process of being determined eligible. They are hoping to close this group in a few months. Their next QRM will be held on February 22nd.

Appendix 12

GUIDANCE
FOR RECIPIENTS OF
SELF-HELP TECHNICAL ASSISTANCE GRANTS
(SECTION 523 OF HOUSING ACT OF 1949)

7 CFR Part 1944, Subpart I provides the specific details of this grant program. The following is a list of some functions of the grant recipients taken from this subpart. With the list are questions we request to be answered by the recipients to reduce the potential for fraud, waste, unauthorized use or mismanagement of these grant funds. We suggest the Board of Directors answer these questions every six months by conducting their own review. Paid staff should not be permitted to complete this evaluation.

A. Family Labor Contribution

1. Does your organization maintain a list of each family and a running total of hours worked (when and on what activity)? Yes No

2. Are there records of discussions with participating families counseling them when the family contribution is falling behind? Yes No

3. Are there obstacles which prevent the family from performing the required tasks? Yes No

B. Use of Grant Funds

1. Were grant funds used to pay salaries or other expenses of personnel not directly associated with this grant? Yes No

2. Were grant funds used to pay for construction work for participating families? Yes No

3. Were all purchases or rentals (item and cost) of office equipment authorized? Yes No

4. Are all office expenses authorized by 7 CFR Part 1944, Subpart I? Yes No

5. Was a record of long-distance telephone calls maintained and was that log and telephone checked? Yes No

6. Was all travel and mileage incurred for official business and properly authorized in advance? Yes No

7. Were mileage and per diem rates within authorized levels? Yes No

(11-15-90) SPECIAL PN

8. Were participating families charged for use of tools? Yes No

9. Were grant funds expended to train grant personnel? Yes No

10. Was training appropriate for the individual trainee? Yes No

11. Were any technical or consultant services obtained for participating families? Yes No

12. Were the provided technical or consultant services appropriate in type and cost? Yes No

C. Financial Responsibilities

1. Does each invoice paid by the grant recipient match the purchase order? Yes No

2. Does each invoice paid by the borrower and Rural Development match the purchase order? Yes No

3. Were purchases made from the appropriate vendors? Yes No

4. Are the invoices and itemized statements totaled for materials purchased for individual families? Yes No

5. Is there a record of deposits and withdrawals to account for all loan funds? Yes No

6. Are checks from grant funds signed by the Board Treasurer and Executive Director? Yes No

7. Are grant funds deposited in an interest bearing account? Yes No

8. Are checks from loan funds prepared by the grant recipient for the borrower's and lender's signature? Yes No

9. Are checks from loan funds accompanied by accurate invoices? Yes No

10. Are any borrower loan funds including interest, deposited in grantee accounts? Yes No

11. Are checks from loan funds submitted to Rural Development more often than once every 30 days? Yes No

12. Is the reconciliation of bank statements for both grant and loan funds completed on a monthly basis? Yes No

13. If the person who issues the checks also reconciles them, does the Executive Director review this activity? Yes No

14. Are materials purchased in bulk approved by the Executive Director? Yes No

15. Was the amount of materials determined by both the Executive Director and construction staff? Yes No

16. Were any participating families consulted about the purchase of materials? Yes No

17. Were savings accomplished by the bulk purchase method? Yes No

18. Did the Executive Director review the purchase order and the ultimate use of the materials? Yes No

19. Are materials covered by insurance when stored by grantee? Yes No

D. Reporting

1. Are "Requests for Advance or Reimbursement" made once monthly to the Rural Development District Office? Yes No

2. Has the grant recipient engaged a certified public Accountant (CPA) or CPA firm to review their operations on a regular basis: (Annually is preferable but every two years and at the end or the grant period are requirements)? Yes No

3. Are the quarterly evaluation reports submitted on time to the County Supervisor? Yes No

What, if any, problems exist that need to be corrected for effective management of the grant project?

_____ _____
Date President, Board of Directors

(Period covered by report_____)

(11-15-90) SPECIAL PN

ANSWER KEY

The following answers should help your organization in assessing its vulnerability to fraud, waste, and abuse. You should take actions to correct practices that now generate an answer different from the key.

Question	Answer
A. 1	yes
A. 2	yes
A. 3	yes
B. 1	no
B. 2	no
B. 3	yes
B. 4	yes
B. 5	yes
B. 6	yes
B. 7	yes
B. 8	no
B. 9	yes
B. 10	yes
B. 11	yes
B. 12	yes
C. 1	yes
C. 2	yes
C. 3	yes
C. 4	yes
C. 5	yes
C. 6	yes
C. 7	no
C. 8	yes
C. 9	yes
C. 10	no
C. 11	no
C. 12	yes
C. 13	yes
C. 14	yes
C. 15	yes
C. 16	yes
C. 17	yes
C. 18	yes
C. 19	yes
D. 1	yes
D. 2	yes
D. 3	yes

oOo

Appendix 13

ALTERNATE TO RD INSTRUCTION 1944-I, EXHIBIT E EVALUATION QUESTIONS FOR GOVERNING BOARDS

Boards of Directors often use a policy governance model which is typically based on the development of certain policies for the organization that give guidance and direction and are expected to be practiced and complied with. The Boards also employ and oversee an Executive who in turn is responsible for the day-to-day operations and activities of the organization. Some governing Boards may have legally required reviews but in addition it is recommended that all organizations operating an RD 523 Self-Help Housing Technical Assistance Grant, review and complete this evaluation annually. Please contact your T&MA contractor for assistance in completing this or resolving any problems.

Board Operations

1. Is the Board of Directors meeting regularly with a quorum of members present? Yes ( ) No ( )

2. Is the Board operating according to its Bylaws? Yes ( ) No ( )

3. Is the Board performing its policy, oversight, planning, finance, and fiduciary responsibilities? Yes ( ) No ( )
    a. Does the grantee have a conflict-of-interest policy? Yes ( ) No ( )
    b. Is there a policy on a drug-free workplace in place? Yes ( ) No ( )
    c. Are Personnel and Financial Management policies in place? Yes ( ) No ( )
    d. Is there a policy on nepotism? Yes ( ) No ( )
    e. Is there a policy on record retention and safekeeping/destruction of records? Yes ( ) No ( )

4. Is the Board familiar with its Grant Agreement with RD for operation of a Self-Help Housing program? Yes ( ) No ( )

5. Is the Board regularly informed about the Self-Help Housing program and its progress, grant expenditures, and challenges? Yes ( ) No ( )

6. Does the organization have policies and procedures to monitor and to comply with the Civil Rights Act and any 504 Transition Plan that has been enacted? Are these evaluated and reported to the Board at least annually?

7. Does the organization have policies and procedures to ensure compliance with the Fair Housing Act? Are these evaluated and reported to the Board at least annually?

If the answer is no to any of the above questions, please explain why and indicate the organization's plan for correction:

Family Labor

1. Does the organization have a policy and practice of tracking family labor hours and maintaining a log of family hours and tasks contributed on new construction and/or rehabilitation projects? Yes ( ) No ( )

2. Should families fall behind in their contributed hours, does the grantee have a policy and practice to counsel them to help them to meet their responsibility? Yes ( ) No ( )

3. Is the Board aware of RD's mutual family labor requirement of 65% of the building tasks for new construction, and does your organization apply it in practice?
   Yes ( ) No ( )

4. Does the grantee have a thorough Group or Participant Agreement that clearly describes the roles and responsibilities of the grantee and the families including procurement of subcontractors and materials, payment of construction bills, and associated procedures, such as the required construction tasks?
   Yes ( ) No ( )

If the answer is no to any of the above questions, please explain why and indicate the organization's plan for correction:

Use of Grant Funds

1. Does the grantee have a policy and practice of using a cost allocation plan that allows payment of personnel and other expenses that relate only to this grant and activity?
   Yes ( ) No ( )

2. Does the grantee have a policy and practice of prior authorization and approval of all grant expenditures for personnel, office equipment purchases or leases, consumable supplies, and travel (including mileage and per diem rates within federal levels)?
   Yes ( ) No ( )

3. Is the Board aware of prohibited uses of 523 grant funds in 1944.406, for: a) Hiring personnel specifically for the purpose of performing any of the construction work for participating families in the self-help projects, b) Buying real estate or building materials or other property of any kind for participating families, c) Paying any debt, expenses, or costs which should be the responsibility of the participating families in the self-help projects, d) Paying for training of an employee as authorized by 2 CFR part 200 adopted by USDA through 2 CFR part 400, and e) Paying costs other than the approved indirect (including salaries) that are not directly related to helping very low- and low-income families obtain housing consistent with the objectives of this program.
   Yes ( ) No ( )

4. Does the organization seek and receive approval from RD when there is a need to modify budget line items? Yes ( ) No ( )

If the answer is no to any of the above questions, please explain why and indicate the organization's plan for correction:

Financial Responsibilities

1. Does the organization have a Financial Management Policy that has been approved by the Board of Directors, and is it reviewed and updated regularly? Yes ( ) No ( )

2. Does the Financial Management Policy address protection of assets, use of internal controls, financial reporting, and oversight? Yes ( ) No ( )

3. Does the Board of Directors receive detailed financial reports for the organization on a regular basis (preferably monthly, but at least quarterly)? Are they reviewed and approved at the meetings? Yes ( ) No ( )

4. Is an audit of the organization conducted by a Certified Public Accountant (CPA) annually? Yes ( ) No ( )

5. Is the audit completed within six months of the fiscal year end? Yes ( ) No ( )

6. Does the grantee file IRS Form 990 and state finance reports annually? Yes ( ) No ( )

7. Does the audit include a compilation of self-help grant funds spent and does it include a sample of family 502 loan expenditures? Yes ( ) No ( )

8. When viewing organizational financial reports and the audit, does the Board consider the organization to be in a financially healthy condition? Yes ( ) No ( )

9. Are grant funds deposited in an interest-bearing account and do checks that are written require two signatures? Yes ( ) No ( )

10. Are all deposits, withdrawals, and expenditures for grant and loan accounts reconciled on a monthly basis? Yes ( ) No ( )

11. Are all checks for grant and loan accounts accompanied by accurate invoices/receipts that have been reconciled to purchase orders and delivery tickets, when approved for payment? Yes ( ) No ( )

12. Are all grant and loan checks for personnel, purchases, services, materials, etc. reviewed by the Executive or his/her designee to assure they are necessary and appropriate, and the amount is reasonable and justified, during the approval and signing process? Yes ( ) No ( )

If the answer is no to any of the above questions, please explain why and indicate the organization's plan for correction:

Reporting and Evaluation

1. Are quarterly evaluation reports submitted to RD in a timely and acceptable manner? Yes ( ) No ( )

2. Do Board members attend Quarterly Review Meetings with RD and the T&MA Contractor where progress and problems are discussed? Yes ( ) No ( )

3. When a Self-Help grant is completed, does the Board see or are they made aware of the final evaluation done by RD? Note, this evaluation of 5 key grant criteria results in an Outstanding, Acceptable, or Unacceptable rating, and determines whether a future grant is possible. Yes ( ) No ( )

4. Does the Board of Directors receive program and performance reports from the Executive or Self-Help Team at meetings during the year? Yes ( ) No ( )

5. Does the Board or an assigned committee evaluate the performance of the Executive annually, with the evaluation placed in their personnel file? Yes ( ) No ( )

If the answer is no to any of the above questions, please explain why and indicate the organization's plan for correction:

Has the Board of Directors established a clear expectation with the Executive that approved policies and practices are to be carried out in the operation of the organization and its programs? Yes ( ) No ( )

Executive's affirmation of the above policies and practices: _____

President or Chair, Board of Directors: _____ Date: _____

Appendix 14

Sample
R E S O L U T I O N

Date

The Board of Directors of *organization name* held a duly called meeting on *date* with a quorum present at which this RESOLUTION was presented for approval, voted on, and approved.

BE IT RESOLVED: that *organization* apply to USDA/RD for a Self-Help Housing Technical Assistance Grant to complete *number* homes, for a grant amount of *$* , over a 24-month period.

BE IT RESOLVED: that *name and title* and *name and title* are authorized to negotiate and sign the Self-Help Housing Technical Assistance Grant Agreement and the Form RD 400-4 Assurance Agreement, along with any other documents that may be necessary to apply for, secure, and execute the grant.

The following signature certifies that this RESOLUTION was approved on *date* by the Board of Directors.

_____ _____

Secretary Date

Sometimes Boards use their Corporate Seal for resolutions

Corporate Seal

Appendix 15

Fair Housing Laws

Fair housing is an extremely important issue that needs to be discussed when working with a self-help program. It effects every staff position within the program. Training in this area is crucial in treating participants fairly and helping the self-help organization remain in compliance with federal laws. The following chapter will describe some of the laws that govern fair housing, provide necessary guidance, and list other resources that can be used to educate staff.

The right to equal housing opportunity is set by law. It is enforced through a formal complaint process, litigation, testing, and monitoring. These actions are necessary, but not sufficient to create a society in which all persons can be assured of their housing rights. Grantees and community members must know about the existence of fair housing laws to avoid violating them. Awareness of the laws and their penalties serves as a deterrent for those who might abuse them. Fair housing education protects housing providers from violating laws simply because of a lack of knowledge.

The Fair Housing Act

There are seven federally protected classes under the Fair Housing Act:

- Race.
- Color.
- National origin.
- Religion.
- Sex.
- Familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under 18).
- Disability.

The Fair Housing Act (the act) covers most housing. (In very limited circumstances, the act exempts owner-occupied buildings with no more than four units, single-family houses sold or rented by the owner without the use of an agent, and housing operated by religious organizations and private clubs that limit occupancy to members.

None of these exemptions apply to self-help housing.) The act applies to:

- All housing financed by government loans, therefore, to all Rural Housing borrowers (7 CFR 1901.203(a)(1)).
- To individual single-family houses so long as the ultimate sale of the house is through the services of any person in the business of selling or renting dwellings or any agent or employee of such person. (A person is deemed to be in the business of selling or renting if he or she has participated as an agent in two or more such transactions within the past year, other than her or his own dwelling, within the past year [7 CFR 1901.203(a)(2)]. This is a very important aspect of the Federal Fair Housing Act as it refers to employees of your organization. A grantee's self-help staff, full or part time, is considered an employee and must abide by all Federal Fair Housing Act laws.
- The owner of a dwelling intended for occupancy by five or more families.

In the sale and rental of housing no one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap:

- Refuse to rent or sell housing.
- Refuse to negotiate for housing.
- Make housing unavailable.
- Deny a dwelling.
- Set different terms, conditions or privileges for sale or rental of a dwelling.
- Provide different housing services or facilities.
- Falsely deny that housing is available for inspection, sale, or rental.
- For profit, persuade owners to sell or rent their homes by suggesting that people of particular protected characteristic are about to move into the neighborhood (blockbusting).
- Deny anyone access to or membership in a facility or service (such as a multiple listing service) related to the sale or rental of housing.

In mortgage lending no one may take any of the following actions based on race, color, national origin, religion, sex, familial status, or disability:

- Refuse to make a mortgage loan or provide other financial assistance for a dwelling.

- Refuse to provide information regarding loans.
- Impose different terms or conditions on a loan, such as different interest rates, points, or fees.
- Discriminate in appraising property.
- Condition the availability of a loan on a person's response to harassment.
- Refuse to purchase a loan.

In addition, it is illegal for anyone to:

- Threaten, coerce, intimidate, or interfere with anyone exercising a fair housing right or assisting others who exercise that right.
- Retaliate against a person who has filed a fair housing complaint or assisted in a fair housing investigation.
- Advertise or make any statement that indicates a limitation or preference based on race, color, national origin, religion, sex, familial status, or handicap. This prohibition against discriminatory advertising applies to single-family and owner-occupied housing that is otherwise exempt from the Fair Housing Act.

There is also additional protection for persons with a disability. If the applicant or someone associated with them:

- Has a physical or mental disability (including hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex and mental retardation) that substantially limits one or more major life activities
- Has a record of such a disability, or
- Are regarded as having such a disability

Unless a building or community qualifies as housing for older persons, it may not discriminate based on familial status. That is, it may not discriminate against families in which one or more children under 18 live with a parent, a person who has legal custody of the child or children, or the designee of the parent or legal custodian, with the parent or custodian's written permission. Familial status protection also applies to pregnant women and anyone securing legal custody of a child under 18. Exemption: Housing for older persons is exempt from the prohibition against familial status discrimination if the HUD

Secretary has determined that it is specifically designed for and occupied by elderly persons under a Federal, State or local government program, or it is occupied solely by persons who are 62 or older, or it houses at least one person who is 55 or older in at least 80 percent of the occupied units and adheres to a policy that demonstrates an intent to house persons who are 55 or older. A transition period permits residents on or before September 13, 1988, to continue living in the housing, regardless of their age, without interfering with the exemption.

Home seekers and housing providers must know their rights and responsibilities as well as the social and business advantages that accrue through honoring both the spirit and letter of fair housing laws. Home seekers and housing providers also need to learn the implementation of the law and how the laws work for them. Home seekers need to know when housing providers are discriminating against them and have the ability to distinguish discriminatory acts from other actions housing providers may take that are not discriminatory. Knowledge of fair housing laws provides an opportunity to learn about the benefits of diversity and diverse talents, doing business in a more open market, and providing housing in a way that allows all residents in the community to grow in understanding, spirit, and community.

Fair Housing Marketing

Affirmative Fair Housing Marketing Plan

Under Rural Development regulations, self-help agencies must prepare an Affirmative Fair Housing Marketing Plan when five or more houses are involved using HUD Form 935.2B. This is part of the TA Grant application process. Grantees should pay close attention and follow the instructions when filling out the Affirmative Fair Housing Marketing Plan.

There are several requirements for an adequate Plan and accurate information must be used. The purpose of the area's racial makeup is to determine which racial groups are "least likely" to apply for available housing and must be included in the project Plan. Marketing programs should be developed using media that will reach the entire market and media that will reach the designated "least likely" groups. Advertising is to cover the entire market area, but a special marketing effort must be directed at the racial group that is least likely to apply for housing. Special outreach effort must occur 90 days before the housing is available for sale or rent.

An authorized Rural Development official must sign the Plan "approved" or "disapproved." In the event a Plan is disapproved, the grantee will make necessary modifications and resubmit for approval. Once approved the Plan must be made available and posted in a prominent place for public inspection. When the project is underway, Rural Development is required to monitor the Plan for compliance.

Fair Housing Advertising

In order to comply with the Fair Housing Act, there are certain requirements that must be met. The following is a description of the requirements that pertain to advertising.

I. The following words, phrases, symbols, and forms typify those most often used in residential real estate advertising to convey either overt or tacit discriminatory preferences or limitations. In considering a complaint under the Fair Housing Act, the Department will normally consider the use of these and comparable words, phrases, symbols, and forms to indicate a possible violation of the act and to establish a need for further proceedings on the complaint, if it is apparent from the context of the usage that discrimination within the meaning of the act is likely to result.

(a) *Words descriptive of dwelling, landlord, and tenants.* White private home, Colored home, Jewish home, Hispanic residence, and adult building.

(b) Words indicative of race, color, religion, sex, handicap, familial status, or national origin

(1) *Race* -- Negro, Black, Caucasian, Oriental, American Indian.

(2) *Color* -- White, Black, Colored.

(3) *Religion* -- Protestant, Christian, Catholic, Jew.

(4) *National origin* -- Mexican American, Puerto Rican, Philippine, Polish, Hungarian, Irish, Italian, Chicano, African, Hispanic, Chinese, Indian, Latino.

(5) *Sex* -- the exclusive use of words in advertisements, including those involving the rental of separate units in a single or multi-family dwelling, stating or tending to imply that the housing being advertised is available to persons of only one sex and not the other, except where the sharing of living areas is involved. Nothing in this

part restricts advertisements of dwellings used exclusively for dormitory facilities by educational institutions.

(6) *Handicap* -- crippled, blind, deaf, mentally ill, retarded, impaired, handicapped, and physically fit. Nothing in this part restricts the inclusion of information about the availability of accessible housing in advertising dwellings.

(7) *Familial status* -- adults, children, singles, mature persons. Nothing in this part restricts advertisements of dwellings which are intended and operated for occupancy by older persons and which constitute housing for older persons as defined in Part 100 of this title.

(8) *Catch words* -- Words and phrases used in a discriminatory context should be avoided, e.g., restricted, exclusive, private, integrated, traditional, board approval or membership approval.

(c) *Symbols or logotypes*. Symbols or logotypes which imply or suggest race, color, religion, sex, handicap, familial status, or national origin.

(d) *Colloquialisms*. Words or phrases used regionally or locally which imply or suggest race, color, religion, sex, handicap, familial status, or national origin.

(e) *Directions to real estate for sale or rent (use of maps or written instructions)*. Directions can imply a discriminatory preference, limitation, or exclusion. For example, references to real estate location made in terms of racial or national origin significant landmarks, such as an existing black development (signal to blacks) or an existing development known for its exclusion of minorities (signal to whites). Specific directions which make reference to a racial or national origin significant area may indicate a preference. References to a synagogue, congregation or parish may also indicate a religious preference.

(f) *Area (location) description*. Names of facilities, which cater to a particular racial, national origin or religious group, such as country club or private school designations, or names of facilities, which are used exclusively by

one sex may indicate a preference.

II. The selective use of advertising media or content when particular combinations thereof are used exclusively with respect to various housing developments or sites can lead to discriminatory results and may indicate a violation of the Fair Housing Act. For example, the use of English language media alone or the exclusive use of media catering to the majority population in an area, when, in such area, there are also available non-English language or other minority media, may have discriminatory impact. Similarly, the selective use of human models in advertisements may have a discriminatory impact. The following are examples of the selective use of advertisements, which may be discriminatory:

(a) *Selective geographic advertisements*. Such selective use may involve the strategic placement of billboards; brochure advertisements distributed within a limited geographic area by hand or in the mail; advertising in particular geographic coverage editions of major metropolitan newspapers or in newspapers of limited circulation which are mainly advertising vehicles for reaching a particular segment of the community; or displays or announcements available only in selected sales offices.

(b) *Selective use of equal opportunity slogan or logo*. When placing advertisements, such selective use may involve placing the equal housing opportunity slogan or logo in advertising reaching some geographic areas, but not others, or with respect to some properties but not others.

(c) *Selective use of human models when conducting an advertising campaign*. Selective advertising may involve an advertising campaign using human models primarily in media that cater to one racial or national origin segment of the population without a complementary advertising campaign that is directed at other groups. Another example may involve the use of racially mixed models by a developer to advertise one development and not others. Similar care must be exercised in advertising in publications or other media directed at one particular sex, or at persons without children. Such selective advertising may involve the use of human models of members of only one sex, or of adults only, in displays, photographs or

drawings to indicate preferences for one sex or the other, or for adults to the exclusion of children.

III. Fair Housing Policies and Practices. When officials investigate complaints of housing discrimination, they will evaluate whether or not the following policies and practices of the act have been implemented:

(a) *Use of Equal Housing Opportunity logotype, statement, or slogan*. All advertising of residential real estate for sale, rent, or financing should contain an equal housing opportunity logotype, statement, or slogan as a means of educating the home-seeking public that the property is available to all persons regardless of race, color, religion, sex, handicap, familial status, or national origin. The choice of logotype, statement or slogan will depend on the type of media used (visual or auditory) and, in space advertising, on the size of the advertisement. Table I (see proceeding section) indicates suggested use of the logotype, statement, or slogan and size of logotype. Table II (see proceeding section) contains copies of the suggested Equal Housing Opportunity logotype, statement, and slogan.

(b) *Use of human models*. Human models in photographs, drawings, or other graphic techniques may not be used to indicate exclusiveness because of race, color, religion, sex, handicap, familial status, or national origin. If models are used in display advertising campaigns, the models should be clearly definable as reasonably representing majority and minority groups in the metropolitan area, both sexes, and, when appropriate, families with children. Models, if used, should portray persons in an equal social setting and indicate to the general public that the housing is open to all without regard to race, color, religion, sex, handicap, familial status, or national origin, and is not for the exclusive use of one such group.

(c) *Coverage of local laws*. Where the Equal Housing Opportunity statement is used, the advertisement may also include a statement regarding the coverage of any local fair housing or human rights ordinance prohibiting discrimination in the sale, rental, or financing of dwellings.

(d) *Notification of fair housing policy*-

(1) *Employees.* All publishers of advertisements, advertising agencies,

and firms engaged in the sale, rental or financing of real estate should provide a printed copy of their nondiscrimination policy to each employee and officer.

(2) *Clients.* All publishers or advertisements and advertising agencies should post a copy of their nondiscrimination policy in a conspicuous location wherever persons place advertising and should have copies available for all firms and persons using their advertising services.

(3) *Publishers' notice.* All publishers should publish at the beginning of the real estate advertising section a notice such as that appearing in Table III (see proceeding section). The notice may include a statement regarding the coverage of any local fair housing or human rights ordinance prohibiting discrimination in the sale, rental, or financing of dwellings.

The following three tables may serve as a guide for the use of the Equal Housing Opportunity logotype, statement, slogan, and publisher's notice for advertising:

Table I

A simple formula can guide the real estate advertiser in using the Equal Housing Opportunity logotype, statement, or slogan. In all space advertising (advertising in regularly printed media such as newspapers or magazines) the following standards should be used:

Size of advertisement	Size of logotype in inches
½ page or larger	2 x 2
1/8 page up to 1/2 page	1 x 1
4 column inches to 1/8 page	½ x ½
Less than 4 column inches	Do not use

In any other advertisements, if other logotypes are used in the advertisement, then the Equal Housing Opportunity logo should be of at least equal to the largest of the other logotypes. If no other logotypes are used, then the

type should be bold display face which is clearly visible. Alternatively, when no other logotypes are used, 3 to 5 percent of an advertisement may be devoted to a statement of the equal housing opportunity policy.

In space advertising, which is less than 4 column inches (one column 4 inches long or two columns 2 inches long) of a page in size, the Equal Housing Opportunity slogan should be used. Such advertisements may be grouped with other advertisements under a caption, which states that the housing is available to all without regard to race, color, religion, sex, handicap, familial status, or national origin.

Table II

Illustrations of Logotype, Statement and Slogan. Equal Housing Opportunity Logotype.

Equal Housing Opportunity Statement: We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, or national origin.

Equal Housing Opportunity Slogan: “Equal Housing Opportunity.”

Table III

Illustration of Media Notice--Publisher's notice: All real estate advertised herein is subject to the Federal Fair Housing Act, which makes it illegal to advertise "any preference, limitation, or discrimination because of race, color, religion, sex, handicap,

familial status, or national origin, or intention to make any such preference, limitation, or discrimination."

We will not knowingly accept any advertising for real estate which is in violation of the law. All persons are hereby informed that all dwellings advertised are available on an equal opportunity basis.

Display of Fair Housing Posters

Participants in Rural Development programs are required to display Equal Housing Opportunity Posters in English and in Spanish in areas with a significant Spanish-speaking population, in the following locations:

- All business offices, model homes, and construction sites of all new single-family housing subdivisions until all dwellings are sold.
- Business office, model apartments, and construction sites of new multi-family housing projects. In addition, the poster must be placed at the business office of existing multi-family housing projects. If a project does not have an office, participants must provide a protective case for the poster to be placed near the resident manager's office.
- Business offices of real estate agents, brokers, auctioneers, and dealer contractors doing business with Rural Development under the rural housing programs.

Other Applicable Laws

The following civil rights laws and regulations apply to all grantees and families participating in the self-help housing program. The following laws and regulations can be accessed from either the HUD or USDA web sites.

HUD: http://www.hud.gov/ USDA: http://www.rudev.usda.gov/

- Federal Fair Housing Act.
- Title VI of the Civil Rights Act of 1964.
- Section 504 of the Rehabilitation Act of 1973.
- Section 508 of the Rehabilitation Act of 1973.
- Age Discrimination Act of 1975.
- Title 24 CFR Subpart A – Fair Housing.
- Title II of the Americans with Disabilities Act of 1990.

- Title III of the Americans with Disabilities Act of 1990.
- Section 109 of the Housing and Community Development Act of 1974.
- USDA Rural Development's regulation found at 7 CFR 1901 Subpart E also Incorporates Title VI & Title VIII (CFR 1901.201/2).
- Title VIII (additional protected classes: sex, religion, disability & familial status).
- Title VI nondiscrimination agreement (CFR 1901.202(d)).
- Record keeping requirements: racial & ethnic data (CFR 1901.202(g)).
- HOME Grants, although not a civil rights law they are a major HUD source of Federal Financial Assistance in housing.

An organization building five or more units and receiving Federal Financial Assistance from one contracting authority, such as USDA, may be covered by several other non-discrimination laws, as well. Any related activities that are connected to this Federal Financial Assistance funding may also be covered under the Civil Rights Restoration Act. (Federal Financial Assistance includes the RD 502 and 523 programs.) The Federal agency providing the assistance is responsible for compliance issues that may arise. For example, USDA, Rural Development is responsible for compliance issues regarding the 502 loans and the 523 grants.

Also, if your organization receives CDBG and HOME Grants, then HUD's 109, Title VI and Section 504 nondiscrimination requirements may apply to you. Section 504 includes program accessibility requirements.

The Americans with Disabilities Act and related information, including requirements for accessibility can be accessed from the HUD web site http//www.hud.gov/. Only "public entities" are covered by Title II of the Americans with Disabilities Act and must comply with the program's accessibility requirements. State and local governments, as well as agencies thereof, are "public entities."

Participant Selection and the Membership and Labor Agreement

Grantees must follow all fair housing guidelines when screening participants for the self-help program. HUD and USDA can provide additional training materials for advertising and marketing. HUD and USDA materials include allowable questions a grantee can ask and questions a grantee cannot ask when interviewing potential self-help participants.

Two of the most important ways to ensure proof that you are following all

applicable fair housing laws are consistency and documentation. Are there written selection criteria and are these criteria consistently applied to all families?

It is also imperative to be mindful of the underserved population in your area. What about households with members having disabilities? Participants must complete 65% of construction labor tasks. A participating family may use a substitute to perform the labor with prior approval of the Grantee and the Rural Development State Director. A substitute is only permitted when the participating family is incapacitated. (7 CFR 1944.403 (k)) Is there ever a concern about a participant's ability to live independently? For households with disabled members, the fair housing regulation prohibits questions that go to the nature and extent of disability, except when determining program eligibility, provided it is asked of all participants. (Provisions can be made when a family cannot meet the terms of the membership agreement because a new disability may have occurred.)

Is there proper accessibility upon request? Upon request, accessibility modifications may be included at the request of the prospective homeowner and financed under the 502 Program, up to the program mortgage limit. USDA 504 regulation (7 CFR 15b.16) and Title II of the Americans with Disabilities Act both require that assisted programs and activities be program accessible.

Recipients of Federal Financial Assistance are required to provide the requested modifications to the assisted housing they own. Under HUD's interpretation of its own regulations, this includes freestanding, single family units, so long as they are in packages of five or more under the same contracting authority. This obligation is limited by showing that to do so would create a fundamental program change or undue financial and administrative burden.

Are the participants treated equally? In both reward and when being held accountable, all participants should be treated equally. The best way to follow this rule is to comply with the requirements as laid out in the membership agreement. Do not let one participant change their house in the middle of construction and then say no to another. That would constitute unfair treatment and could be considered discrimination. The same could be said about a participant that falls behind in their labor hours, following the rules in the agreement. If the first participant that falls behind has to have a meeting to explain themselves and the next participant has work stopped on their house for the same level of being behind, the organization is being discriminatory. Treat all the participants equally.

Identifying and Solving Potential Fair Housing Problems

Contact USDA/Rural Development or HUD immediately if you believe a potential fair housing problem exists. The sooner you receive technical assistance on the matter the better. Use mediation and all available resources, such as HUD's conciliation process, USDA/Rural Development, or other legal sources.

It is important to understand the complaint process. HUD investigates Title VIII complaints. For a complaint to receive attention, it must be filed within one year of the alleged incident. There is a Memorandum of Understanding between HUD and USDA, which defines the roles of HUD and USDA/Rural Development in potential fair housing and civil rights complaints. Either HUD or USDA/Rural Development may investigate Title VI, 504, or Age complaints, depending on the funding source. Both may concurrently investigate such complaints if there is dual funding. If you have any questions or need information regarding a potential fair housing or civil rights issue, immediately contact the USDA or HUD office.

HUD is ready to help with any problem of housing discrimination. If someone believes their rights have been violated, the Housing Discrimination Complaint Form is available for them to download at https://www.hud.gov/program_offices/fair_housing_equal_opp/online-complaint complete and return, or complete online and submit; or they may write HUD a letter, or telephone the HUD Office nearest them. Due to time limits on when a complaint can be filed with HUD after an alleged violation, a complaint should be submitted as soon as possible.

When filing a complaint, the complainant will be required to provide to HUD their name and address, the name and address of the person the complaint is against (the respondent), the address or other identification to the housing involved, a short description of the alleged violation (the event that caused the complainant to believe their rights were violated), and the date(s) of the alleged violation.

Privacy Statement: The information submitted to HUD may be used to investigate and process claims of housing and other types of discrimination. It may be disclosed for lawful investigatory purposes, including to the U.S. Department of Justice for its use in the filing of pattern and practice suits of housing discrimination or the prosecution of the person(s) who committed the discrimination where violence is involved; the public, where appropriate; and to State or local fair housing agencies that administer substantially equivalent fair housing laws for complaint

processing. Though disclosure of the information is voluntary, failure to provide some or all of the requested information may result in the delay or the denial of help with the housing discrimination complaint.

HUD also provides a toll-free TTY phone for the hearing impaired: 1-800-927-9275. Callers can also ask for disability-related assistance when contacting HUD's Office of Fair Housing and Equal Opportunity (FHEO), including reasonable accommodations and auxiliary aids and services. Normally HUD will also notify the alleged violator of the complaint and permit that person to submit an answer and investigate the complaint to determine whether there is reasonable cause to believe the Fair Housing Act has been violated. If HUD cannot complete an investigation within 100 days of receiving the complaint, they will notify the complainant.

HUD will make efforts to help the parties reach an agreement. A conciliation agreement must protect both complainant and the public interest. If an agreement is signed, HUD will take no further action on the complaint. However, if HUD has reasonable cause to believe that a conciliation agreement has been breached, HUD will recommend that the Attorney General file a suit.

If the complaint cannot be resolved voluntarily by an agreement, FHEO may issue findings from the investigation. If the investigation shows that the law has been violated, HUD or the Department of Justice may take legal action to enforce the law. Depending on the type of complaint filed, FHEO may follow a different investigative process, such as referring the matter to a Fair Housing Assistance Program partner. The processes of HUD's Fair Housing Assistance Program (FHAP) partners may vary by agency.

When a complainant's investigation is complete, HUD will issue a determination as to whether or not a reasonable cause exists to believe discrimination occurred. If HUD determines that there is reasonable cause to believe that discrimination occurred, HUD will issue a Determination of Reasonable Cause and a Charge of Discrimination. All complainants and respondents have twenty (20) days after receiving notice of the charge to decide whether to have the case tried before a Federal District Court judge. If no one does so, the case is heard by a HUD Administrative Law Judge (ALJ). If neither party elects to have a federal civil trial before the 20-day Election Period expires, HUD will promptly schedule a hearing for your case before an ALJ. The ALJ hearing will be conducted in or near the locality where the discrimination allegedly occurred. During the ALJ hearing, the parties have the right to appear in person, to be represented by legal counsel, to present evidence, to cross-examine witnesses and to conduct discovery of evidence. HUD attorneys will be assigned to represent you during the ALJ hearing

at no cost to you; however, you may also choose to intervene in the case and retain your own attorney. At the conclusion of the hearing, the ALJ will issue a decision based on findings of fact and conclusions of law. If the ALJ concludes a violation of the Fair Housing Act occurred, the following relief can be ordered:

- Compensation for your actual damages including out-of-pocket expenses and emotional distress damages.
- Permanent injunctive relief, such as an order not to discriminate.
- Appropriate equitable relief, such as making housing available to you.
- Payment of reasonable attorney's fees if you hired a private attorney.
- Payment of a civil penalty to vindicate the public interest.

If the complainant or the respondent chooses to have the case decided in Federal District Court, the Attorney General will file a suit and litigate it on the complainant's behalf. Like the ALJ, the District Court can order relief, and award actual damages, attorney's fees and costs. In addition, the court can award punitive damages.

A complainant may also file a private civil lawsuit, even if a complaint has already been filed with HUD. The lawsuit must be filed within two (2) years of the most recent date of alleged discriminatory action. If a complaint has already been filed with HUD, the time during which HUD was processing a complaint is not counted in the 2-year filing period. Lawsuits must be filed at the expense of the complainant; however, if the complainant cannot afford an attorney, the court may appoint one. A complainant may not be able to file a federal private civil suit if (1) the complainant has already signed a HUD Conciliation Agreement to resolve their HUD complaint; or (2) an Administrative Law Judge has commenced a hearing for the complaint.

In addition, a complainant may file a suit, at their expense, in Federal District Court or State Court within two years of an alleged violation. If they cannot afford an attorney, the Court may appoint one for them. They may bring a suit even after filing a complaint if they have not signed a conciliation agreement and an Administrative Law Judge has not started a hearing. A court may award actual and punitive damages and attorney's fees and costs.

If there is noncompliance with the order of an Administrative Law Judge, HUD may seek temporary relief, enforcement of the order or a restraining order in a United States Court of Appeals.

The Attorney General may file a suit in a Federal District Court if there is reasonable cause to believe a pattern or practice of housing discrimination is occurring.

The Fair Housing Act and HUD's regulations contain more detail and technical information. If you need a copy of the law or regulations, contact the HUD Office nearest to you.

Process for Complaints of Discrimination in Housing and Community Development Programs: If you file a fair housing complaint that also alleges a violation of Title VI, Section 504, the ADA, or other civil rights laws FHEO enforces, some additional FHEO procedures apply. The FHEO will try to resolve your complaint through informal means, called a Voluntary Compliance Agreement. If FHEO's investigation finds there has been noncompliance with civil rights requirements, FHEO will issue a letter of findings. If FHEO determines that efforts to resolve the matter through voluntary compliance are unsuccessful, FHEO may pursue enforcement actions to obtain a just resolution.

HUD encourages the informal resolution of matters and may attempt to resolve a matter through informal means at any stage in the processing of the complaint. During the complaint process, HUD will assist the parties in resolving the complaint through informal resolution or voluntary compliance. FHEO will develop a written voluntary compliance agreement to obtain the resolution of findings of noncompliance. A Voluntary Compliance Agreement will obtain assurances from the Program to remedy any violations and ensure that the Program will not violate the rights of other persons under fair housing or civil rights authorities. HUD will notify the parties about the results of its investigation in a Letter of Findings. The letter will include information about the facts found during the investigation and whether HUD found non-compliance with fair housing and civil rights laws.

If a complaint has been brought alleging non-compliance with Section 504, and a Letter of Findings has been issued, either party may request that the letter be reviewed within 30 days of the receipt of the letter. HUD will either sustain or modify the findings, and this will become the agency's formal determination. HUD will issue a Letter of Determination either sustaining or modifying the findings. If a just resolution of HUD's findings of noncompliance cannot be reached through a voluntary compliance agreement, HUD can use other means to achieve compliance. Among other things, HUD can initiate an enforcement proceeding before an Administrative Law Judge or refer the matter to the Department of Justice and recommend that it bring an enforcement action in Federal Court.

Additional Resources

Those responsible for housing activities should be aware that various fair housing training materials already exist. For example, HUD's Fair Housing Outreach Materials can provide brochures, videos, audio public service announcements, and posters produced and marketed throughout the country by the National Fair Housing Alliance (NFHA) or through HUD's Publications Distribution Center. Use of these materials can increase the grantee staff and the public's awareness of subtle discriminatory acts and provides the resources for dealing with such acts. HUD's Fair Housing Outreach Materials HUD's Direct Distribution Center provides documents to the public, HUD clients, and employees. Materials distributed include publications, handbooks, forms, posters; and mortgagee letters, ethics letters, Title 1 letters, and labor relations letters. Most items can be viewed on-line and are available to download 24 hours per day. Some items must be mailed and will arrive in 7 to 10 business days.

USDA, Rural Development national, state, and local offices can provide training and materials for your organization.

Legal Practices for the Grantee

There are many laws that govern fair housing and lending practices. In addition to Fair Housing and other laws mentioned above, there are additional laws that a Grantee should be familiar with.

Home Mortgage Disclosure Act of 1975. Requires some depository institutions to make reports showing dollar volumes and residential mortgage and home improvement loan locations available to the government and the general public.

Community Reinvestment Act of 1977. Imposes on federally regulated financial institutions an affirmative obligation to help meet the credit needs of the local community in which they are chartered.

Truth in Lending. Requires disclosure of items in consumer credit transactions, including residential mortgages.

Equal Credit Opportunity Act. Prohibits discrimination in credit transactions on the basis of race, color, national origin, sex, age, marital status, reliance on income from public assistance, or an applicant exercising their rights under the Consumer Protection laws.

The Fair Credit Reporting Act. In the event of a credit denial due to information received by an outside credit-reporting agency, the applicant must be informed of the name and address of the credit-reporting agency. The applicant may contact the credit-reporting agency for an explanation. However, the lender is not allowed to discuss any credit information with the applicant.

In order to abide by these and other laws, there are certain practices that the grantee should follow, and certain questions that should not be asked during the interview process.

Discrimination is not allowed. Do not discriminate for any reason. Rural Development Instruction 1901-E, "Civil Rights Compliance Requirements", restates that any recipient of financial assistance (i.e., a self-help grantee) will not subject any person to discrimination with respect to their programs.

The grantee acts on behalf of the federal government as the person who takes the loan application. The grantee must be especially careful to abide by the laws while taking a loan application. The Equal Credit Opportunity Act, mentioned above, regulates this area. In order to comply with this law, there are some questions that should not be asked during an application interview. The following list should help with this task.

- Motherhood – Do not ask, "Are you planning to have children?" It is okay to ask about the number and age of dependents and about dependent related financial obligations.
- Marital Status – Do not ask, "Are you divorced, single, or widowed?" It is only acceptable to ask if the applicant is married, unmarried, or separated.
- Religion – No inquiry is allowed in this area.
- Race, National Origin or Sex – Any question is prohibited for underwriting purposes. This information can be gathered for monitoring purposes, but the applicant must be advised that they are not required to give the information. These questions are asked on the application form. If the applicant chooses not to complete the Monitoring Section of the Loan Application Form, the person taking the application must note the applicant's race and or national origin from visual observation or surname and note that the answers came from "visual observation".
- Income – Because this is a federally subsidized program, the law requires that applicants must disclose income from alimony, child support or separate maintenance.

The grantee should not tell an applicant whether or not they will qualify for a self-help housing loan. This is the responsibility of Rural Development. However, the grantee can counsel participants about if and when they should apply. This should be done after a careful review of a family's income and credit status, and not before. The grantee can advise an applicant that "Based on the information that you have provided; it appears to us that you do not meet the minimum eligibility requirements. If you believe we are mistaken, you may contact the local Rural Development Office for clarification. If they believe that you meet the preliminary processing standards, we will be happy to complete the preparation of a loan application for your family". If a potential participant requests that their application be submitted to RD and they are denied, there will be a mediatory waiting period of 6- months before the application can be resubmitted.

An "Authorization to Release Information" Form, Form RD 3550-1, (Attachment # 9) must be obtained from all clients to ensure that the client has given permission to the grantee to gather information about/for them. This is especially important when dealing with personal credit information. Releases must be obtained BEFORE a credit report is ordered by the self-help agency. We recommend that this form be obtained with the Pre-Application Interview Form. (Attachment # 6)

According to HUD regulation 7610.1 REV-4, 4-8, "Nothing in the Fair Credit Reporting Act precludes a counseling agency from disclosing a credit report to a client." If a grantee is also a counseling agency for HUD, the present contract does not preclude disclosure to the client. If a grantee/counseling agency contracts with a credit bureau for credit reports, whether or not disclosure can be made depends on the terms of the contract between the grantee/counseling agency and the credit reporting bureau. The prudent practice by the grantee/counselor is NOT to have the counseling agency's copy of the credit report on his or her desk or in the client's open file during a counseling session. The grantee should use notes taken from the report prior to the client's arrival for the counseling session.

It is also important to respect the privacy of the potential participants. To this end, all of their personal information should be kept confidential and meetings with them should be held private, to the extent that is possible. A grantee is liable for civil suit when a client's civil rights are violated by sharing confidential information which was relayed to the counselor under the assurances of confidentiality. Files, where the applicant information is kept, should not be widely accessible and should be in a secure (locked) place in the office when it's not being used by designated staff. Not every staff member should have, and does not need to have, access to this

information.

Grantees should not provide legal counsel or advice, just information and assistance. They should also make sure that the participants are making their own decisions. It is not the grantee's role to make decisions for the client, it is to educate them so they can make their own informed decisions. In this regard, maintain basic ethical practices in regard to the clients. Be competent, respectful, professional, truthful, and without actual/potential conflicts of interest.

Conclusion

It is essential to be familiar with the importance of the Fair Housing Act and the laws promoting equality that accompany it. By educating yourself, coworkers, and staff and by having written policies in place, you help to ensure a successful self-help program for your agency and community.