



BOARD OF DIRECTORS GUIDE

*RURAL DEVELOPMENT SECTION 523
MUTUAL SELF-HELP HOUSING PROGRAM*

Developed jointly by the Self-Help Housing Technical and Management Assistance (T & MA) Contractors:

Florida Non-Profit Housing, Inc. (FNPH)

Little Dixie Community Action Agency, Inc. (LDCAA)

National Council of Agricultural Life and Labor Research Fund, Inc. (NCALL)

Rural Community Assistance Corporation (RCAC)

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Refer to the Introduction Chapter of this guide to identify the appropriate T & MA Contractor to contact for your area. After receipt of a consent and conditions letter you may copy and distribute the manual in accordance with such terms and conditions as set and approved by the T & MA Contractors.

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INTRODUCTION

The Self-Help Program

Self-Help Housing is just as it sounds: Participants working together to build their own homes. This cooperative effort is a direct application of the church and barn raising techniques of the Amish and Mennonites. The participants supply the necessary labor while qualifying for mortgage financing to purchase land, materials, and subcontract work on very technical items. A private nonprofit corporation, public body or rural town can obtain a grant from Rural Development to hire skilled staff, rent office facilities, pay for mileage, and purchase tools. This staff then works with the participants by providing the assistance and training necessary to fulfill the goals of the self-help housing program. The specifics of the program are described below.

With the assistance of the skilled staff, an association of generally 4 to 10 households is formed. (Once the grant is completed, at least 40% of the total participants served must have been very low income, 50% or less of the county median income.) They 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 loans are approved, 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, until the group of homes is completed; usually the more technical work is subcontracted out. The construction stage lasts from 6 to 12 months, depending on the size of the group. Participants work during their spare time (evenings, weekends, and days off) so as not to interfere with the regular household employment. Rural Development loans feature interest rates ranging from 1% to the market rate, depending on the household's adjusted annual income. The repayment period is 33 or 38 years and no down payment is required.

Rural Development

Rural Development is an agency of the United States Department of Agriculture. It was originally a credit agency for lower income farmers who could not qualify for loans elsewhere. Since the 1960's rural non-farm households have been eligible for mortgage credit. 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.

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, affordable housing,
- Supporting electric power and rural businesses, including cooperatives, and
- Supporting community development with information and technical assistance.

Rural Development has been providing the mortgage funds for the self-help housing program since the late 1960's. They provide technical assistance grants to eligible entities to start and implement the program and they thoroughly review the preapplication and final application before a grant is awarded. When a grant is awarded, Rural Development is saying that there is a need for self-help housing in this area; this agency is suited to administer a self-help housing program; the proposed plan, budget and schedule are feasible; house plans meet local, state and Rural Development building codes; adequate building sites are available; the project ingredients are in place; and Rural Development is ready to provide the financial resources necessary to make the project work. There is no charge to participating groups. Grant funds provided to sponsors by Rural Development do not have to be repaid. It is an investment Rural Development is willing to make in order to see self-help housing work.

Rural Development 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 program.

In many cases Rural Development provides another important ingredient to the self-help program: construction/permanent financing. They are independent of private or conventional lending institutions; the financing is directly between Rural Development and the borrower. While labor and construction are group efforts, each applicant must qualify and obtain a loan directly from Rural Development.

Rural Development Offices

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

Rural Housing Service National Office

The Rural Housing Service National Office is responsible for developing policy and interacts with Congress for legislation development and program funding. The National Office also obligates and monitors all Section 523 grants. The program staff at the national level maintains reports and statistics on operating self-help organizations and projected needs for funding.

Rural Development State Office

The State Office has the approval authority over the smaller Section 523 grant applications. Section 502 loan funds are allocated on a state-by-state basis and the State Office allocates the 502 money based on a State formula. There are additional staff members who are key to the operation of a self-help program located in many State Offices:

- Rural Development State Director
- Rural Housing Program Director
- Rural Development State Architect
- Rural Development Appraiser
- Rural Development Housing Specialist

Rural Development Area Office

The Rural Development Manager is responsible for the Section 523 grant. It is his or her responsibility to ensure that the grant is operated effectively and in accordance to regulations. The Rural Development Manager will evaluate the Section 523 self-help agencies on a quarterly basis and review grant applications for new and on-going programs. In addition, Rural Development Construction Analysts are usually available through this office.

Rural Development Local Office

Within this office, the Community Development Manager is typically responsible for making the Section 502 mortgages to participating applicants of each group. He or she will be responsible for monitoring the 502 loans and will also be the co-signer on the participant's checking accounts. Usually, this office does construction inspections.

The Rural Development Section 502 Rural Housing Loan

Many applicants that participate in the self-help housing program use Rural Development's Section 502 loan to finance their homes. Section 502 loans are only available to applicants living in rural areas. "Rural" is defined as towns with populations of 10,000 or fewer, and designated cities with populations between 10,000 and 20,000 in counties that are not associated with Standard Metropolitan Statistical Areas (SMSA) and where a serious lack of mortgage credit exist.

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. They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources. The low-income measure is 80% or less of the county median income, based on family size. Very low-income is defined as 50% or less of the county median income, based on family size. These income standards, established by HUD and adopted by Rural Development, are subject to local variation and periodic change. Current information on income standards and eligibility requirements for Section 502 loans is available at Rural Development local offices.

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 assistance makes up the difference between the full loan rate and the rate the participant pays.

Section 502 funds are advanced from the Rural Development finance office in St. Louis and disbursed by the local offices based on regulatory guidelines. TA grantees prepare the drawdowns and checks for each participant's account as needed to purchase materials for different phases of construction. Note that the participant's loan payments are deferred during construction.

When all the money is withdrawn from a participant's account, Rural Development's finance office sends payment books to the participant. The participant's first loan payment is due within thirty days of termination of deferred payments. Payments then go directly to Rural Development's Centralized Servicing Center (CSC) in St. Louis.

The 523 Mutual Self-Help Housing Technical Assistance Grant

In order to enable organizations to operate a mutual self-help housing program, Rural Development provides grant funds to operate and oversee mutual self-help housing programs. Each TA grant is usually for a period of up to two years, and is available to public and private nonprofit organizations, tribal entities, and units of state or local government. The amount of grant funds an organization can receive is based upon how many houses they build in a grant period. An organization can receive up to 15% of the average cost of a new home financed under the 502 program in their area, for every home they are planning to build.

Activities that are allowable uses of Section 523 Technical Assistance grant funds include:

- Recruiting 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;
- Assisting participants obtain and develop building sites; obtaining or creating Rural Development-approved house plans and helping participants select theirs;
- Helping 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 participants;
- Paying any debts, expenses or costs which should be the responsibility of the participants;
- Any lobbying activities as prohibited in OMB Circular A-122.

The T&MA Contractors

In 1979 the appropriations language was changed to authorize the use of Section 523 grant funds to contract for technical assistance to self-help grantees. There were initially six Technical and Management Assistance (T&MA) Contractors; currently there are four.

Rural Development contracts with these groups to assist operating and potential self-help housing grantees across the country. This assistance comes in the form of staff and board training, grant management, development of applications, 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.
- Little Dixie Community Action Agency, Inc. – covering Region II, the South Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, WY.
- NCALL Research, Inc. – 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, 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.

ADDITIONAL TRAINING MATERIALS

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

Project Director's Guide

It is the responsibility of the Project Director or Executive Director to administer a successful Mutual Self-Help Housing Program. This guide should be used as an important resource to assist with that goal. It can also be used as a training manual when new staff is hired. The Project Director's Guide takes a general look at the Self-Help Program as well as providing information on required reports, program criteria, grant and financial management, personnel and fair housing.

Guide to Basic Bookkeeping for Not-for-Profit Organizations

Understanding the basic bookkeeping procedures is just as vital to developing a not-for-profit organization as it is for a for-profit organization. Therefore, mastering the concepts of double entry bookkeeping is of much importance. Most non-profits are probably using computerized accounting software for their bookkeeping needs; however, it is still important to understand the concepts of double-entry bookkeeping. This manual will present the basic material for a not-for-profit organization's needs. With improved bookkeeping skills each organization will gain a better command of available resources and help in planning a more profitable future.

Financial Management for Federally Funded Organizations

The purpose of this Financial Management Guide is to aid new and operating grantees. With the development of financial management systems and policies that are compatible with the fiscal responsibilities set forth by the funding agency (Rural Development) and the Office of Management and Budget (OMB). While self-help housing programs that have been operating for many years may have sophisticated financial systems and policies, others are lacking written, established financial procedures that assure proper internal controls.

This Financial Management Guide offers grantees sample information, guides, and checklists for virtually all fiscal aspects of self-help housing including: Section 523 grant accounting, Section 502 participant loan accounting, establishing accounting systems, program and payroll expenditures, tax requirements, personnel records, federal accounting requirements, and audit preparation.

While this guide has been developed specifically for self-help housing grantees, the principles and information provided are applicable to any nonprofit housing development corporation utilizing federal financing or administrative funding.

Guide to Accounting for Individual Participant 502 Loan Accounts

In addition to establishing and maintaining an accounting system for Section 523 grant funds, the Self-Help Housing grantee is responsible for keeping an accurate account of the disbursements of funds from the self-help participants' Section 502 loan accounts. Instruction 1944-I indicates that technical assistance provided by the grantee to the participants should include "providing financial supervision to individual participants with Section 502 loans, which will minimize the time and effort required by Rural Development in processing borrower expenditures for materials and contract services. In order to fulfill this accounting responsibility the grantees must establish a record keeping system with clear procedures for handling the purchase of construction supplies, invoices from sub-contractors and vendors, and accounting for expenditures from participant loan funds. This guide provides guidelines for self-help grantees to use in designing the procedures necessary for a minimum standard of control and a system of checks and balances to protect the participants and the grantee."

Group Coordinator Guide

The job duties and responsibilities of a Group Coordinator are crucial to the success of the self-help program. The Group Coordinator is the person that is responsible for locating interested participants, screening them and packaging their 502 loan application, preparing them for the construction phase and homeownership, and helping to track their progress during construction. If one of these duties is not fulfilled, the entire program is put in jeopardy.

Because the Group Coordinator often wears so many hats in a self-help agency, there are other manuals that the Group Coordinator is going to need to read in addition to this one. The 502 Loan Processing Guide is crucial to the success of qualifying and processing applicants, the Preconstruction Meetings Guide will help guide the Group Coordinator through these meetings, and the SHARES Manual will instruct the Group Coordinator on the task of entering information into the SHARES database.

This manual will help to guide the Group Coordinator in the areas of recruitment, communication, forming a group, group management, motivation, and money management.

502 Loan Processing Guide

(This guide is currently under development.)

While the labor and construction is a group effort, each participant must qualify and obtain a loan individually from Rural Development. In order to qualify, a household must fall within the income guidelines set by Rural Development, must have demonstrated repayment ability, must have a good credit rating, and should have a low debt load. Because the 502 self-help loan process can be complicated for the individual, the technical assistance staff will pre-screen participants for program eligibility and prepare the application packages for Rural Development.

The 502 Self-Help Loan Processing Guide will help to train the Group Coordinator or appropriate staff person in packaging these loans. The loan terms, application forms, credit reports, and the additional documentation required are all covered.

Preconstruction Meetings Guide

(This guide is currently under development.)

Each self-help grantee is responsible for organizing participants into groups, which remain together from loan processing through construction. The organization of participants into groups reinforces the "mutual" aspect of the self-help program because participants within a group are expected to work on each other's house until all houses in the group are completed. In addition to organizing participants into groups, self-help programs are responsible for explaining the self-help concept and methodology to participants, and for educating participants about their responsibilities as self-help participants, 502 loan borrowers, and homeowners. This is achieved through a series of "pre-construction meetings."

Group meetings provide self-help grantees with the opportunity to "weed out" those participants who would not be reliable and productive participants during the critical construction phase. Group meetings also provide self-help grantees, Rural Development, and the self-help participants with an opportunity to develop bonds which can contribute to the timely construction of houses – of which all can be proud – and which can place participants on a sound footing for assuming their homeownership responsibilities.

The information and materials contained in this manual are presented as informational resources, ready to use formats, or samples to be modified to suit grantees' individual circumstances.

Construction Supervisor Guide

The Construction Supervisor Guide will discuss the roles and responsibilities of the construction supervisor as it relates to Self-Help Housing. This guide will cover several aspects of the construction supervisor's job; from construction specifications, house plans, schedules, bill paying procedures, to group motivation. Insight will be provided on how the self-help program operates and what is expected from the construction supervisor. This guide should not be the only source of training, but can be used as an introduction. Further exposure should be sought at conferences and networking with peers in the field.

SHARES Help Manual

SHARES stands for the Self-Help Automated Reporting and Evaluation System. It is an internet-ready application designed to manage, track, evaluate, and report on the status of the self-help program, as well as share this information with all parties that provide assistance to this program.

The SHARES Help Manual describes all aspects of the SHARES program, such as, getting started, the available screens, entering information, and printing reports.

Boards of Directors

Boards of Directors play a critical role in the success of any non-profit organization. With this in mind, this guide was designed for use by board members of any housing agency.

This guide is intended primarily as a reference and not to dictate that, "this way is the only way". However, it is an informational resource that may be used as a training tool and can provide new insights and a clearer understanding of nonprofit organizations, board meetings and operations, agency planning, administration of agency personnel, teamwork, orientation for new board members, federal accounting requirements, and self-help agency activities.

Nonprofit Organizations

Definition and Purpose of a Nonprofit

Nonprofit organizations are generally organized for educational or charitable purposes, to serve the "public good." They are legally precluded from distributing any financial gains or earnings to their members and/or Boards of Directors. Also, the board of directors cannot receive any compensation for their services, although some reimbursements may be allowed.

The product of a nonprofit corporation is typically a service needed by society or a response to a community need. For example, nonprofit housing development corporations are usually organized to improve housing conditions for low-income households.

Like a profit making corporation, a nonprofit corporation has a board of directors that is responsible for the prudent management of the organization's assets and liabilities. Often, a nonprofit corporation will also have a membership to ensure its longevity and fulfillment of its objectives.

Furthermore, there are no stockholders in a nonprofit corporation. Board and corporate members give of their time voluntarily and expect the services of the corporation to have the desired impact. The board of directors sets policy and is in essence "the owner" of the corporation. No stock or dividend transactions are made in a nonprofit setting.

Forming a Nonprofit Corporation

In order to form a nonprofit there are several things that need to be done before ever considering filing with the state. Each state has different requirements, so review your own state's regulations. Some common regulations are to have at least three directors elected to the board, a formation meeting should have occurred and the organization should be ready administratively. This administrative readiness includes having formed the Articles of Incorporation and Bylaws, along with any other corporate documents. These necessary documents are described in more detail in the following sections. (There may be further board requirements dictated by the particular programs with which an organization is involved. For example, the self-help housing program requires that the board have at least five members and in order to become a CHDO at least one-third of the board membership must be low-income, residents of low-income neighborhoods, or are elected as representatives of low-income neighborhood organizations. Please check the requirements of the programs operated by your organizations.)

When the organization is ready to file you will need to investigate where this should be done, because it is state specific. Generally it will either be with the Attorney General, Secretary of State, or the Corporation Commission. Typically you will need a state application, your Articles of Incorporation, and the filing fee. A statutory agent or a consulted attorney should be the representative responsible for filing. Then, the organization should also file with the IRS as described in the “Tax Exempt Status” section.

Articles of Incorporation and Bylaws

A nonprofit operates under a special set of rules and circumstances. In order to protect the organization from activities that might be illegal, the board needs to learn the applicable state and federal laws and requirements. The board must also be aware of when it is necessary to seek legal counsel in considering certain actions. A local attorney may be helpful in drafting these to meet state laws.

Also, in establishing a nonprofit corporation, all potential funding sources should be examined for their requirements of eligibility. Federal funds, such as Rural Development's Self-Help Housing Technical Assistance Grants, add responsibility and restrictions to a nonprofit's structure and operation.

The nonprofit corporation becomes a legal entity once it files its Articles of Incorporation. The Articles of Incorporation contain a great deal of legal language relating to the corporation's structure and its nonprofit status. Most importantly, it states the corporation's purpose. This purpose statement is the single most important collection of words for an organization. It is essential that the organization has a clearly defined statement of purpose that will keep the board focused on the organization's fundamental mission, and help guide the board in making decisions that are consistent with the organization's goals. One of Rural Development's requirements of a self-help organization is that one of its purposes listed in the Articles of Incorporation must be “the production of affordable housing.”

The organization's bylaws should also be well developed. The statement of purpose and organizational structure should be reflected in the bylaws and they should set the standards of performance for the board and the corporation.

The following is a brief checklist of considerations that should be thought about when an organization writes or reviews their bylaws:

1. Statement of purpose.

2. Power/responsibility structure - where does the authority lie?
3. The board - adequate and appropriate size, terms of office, term limits, rotation, election, regular and special meetings, meeting notices, attendance requirement, removal for cause, and filling interim vacancies that develop.
4. Executive committee - need for, composition, role and limitations. Be sure to protect against its becoming a de facto board.
5. Officers - how many are necessary, role and responsibilities, who elects, terms of office and term limitations, how to circumvent the rotation requirement for board members when necessary if officers come from an already elected board, removal for cause, filling interim vacancies that develop.
6. Advisory Board - role, how elected, size, terms of office, term limits, rotation, attendance requirements, filling interim vacancies, meetings, and notices.
7. Committees - what standing committees are required, committee charges (keep them short and to the point), committee size and composition. Can non-board members serve on board committees (typically they ought to be able to)?
8. Quorums - 30% for large boards is a good average, 51% for smaller boards.
9. Nominating committee - composition, how appointed, process, election process, and alternative slate mechanism.
10. Amendments - neither too easy nor too stringent. Permit board to amend.
11. See your legal counsel for all legal concerns and final review.

Bylaws should be reviewed annually to see if the purpose of the organization should be revised and if improvements are warranted. Any amendments to the bylaws should be scrutinized, keeping in mind any possible impact of the proposed amendment upon the other sections of the bylaws. In Exhibit D of Rural Development Instruction 1944-E, Rural Development provides sample bylaws for nonprofit housing development corporations.

Mission Statement

A mission statement describes the organization's reason for existence. A mission statement should describe the organization in four areas: who the organization serves, what services the organization provides and the needs it meets, how the organization carries out these services, and where the organization engages in business.

The statement should use broad terms and be clear, concise, and forward thinking. It should help to serve as a guide to action and should provide inspiration. Upon being read, the mission of the organization should be clear and understood to someone outside the organization.

Tax Exempt Status

Nonprofit corporations are not automatically tax exempt once organized. A new corporation must file for federal tax-exempt status with the Internal Revenue Service (IRS). The IRS will review the corporation's charter, purposes, and Application for Recognition of Exemption, Form 1023, before yielding its determination. (It may be beneficial to use an attorney to complete the application and send it in on their letterhead.) Most nonprofit corporations are determined tax exempt by the IRS because their purposes are educational or charitable, their charters indicate that no profit will be earned, and that no earnings will be distributed to members.

Once the IRS declares the corporation to be tax exempt according to the applicable code, usually 501(c)(3), it is exempt from paying federal taxes. Please note that the IRS usually issues a preliminary determination of exemption. It is then necessary for the nonprofit to apply for a final determination at the end of the preliminary determination period. If the preliminary date expires without a final application being submitted to the IRS, the reinstatement process can be lengthy, confusing, and costly.

In conveying a tax-exempt status, the IRS imposes other restrictions upon the corporation's activities, such as political lobbying. Under the 501(c)(3) code, "no substantial part" of the organizations expenditures can be for lobbying (see next section for more information). The advantages of being tax exempt, however, usually outweigh the disadvantages. All tax-exempt organizations with gross receipts of more than \$25,000 must file an IRS Form 990 annually. Organizations with gross receipts under \$25,000 may receive a Form 990 from the IRS. If one is received, the organization must check the appropriate box stating that they did not receive more that \$25,000 and send it back to the IRS without financial data. Either way, this form must be filed within five months of the end of the corporation's fiscal year. The IRS code requires nonprofit corporations to be as, or more accountable than their for-profit counterparts.

Some states with a sales tax offer provisions for exemption from payment of sales tax. This can be beneficial for the nonprofit in terms of purchasing administrative, consumable, and building supplies. Nonprofit corporations should apply for such an exemption when it is available.

Lobbying

A mistaken public perception has 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 funds are used.

In 1990 non-profit organizations were given a choice about lobbying in the Internal Revenue Code (IRC). Previously there was a provision in section 501(c)(3) 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 it would be up to the auditor 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 for organizations that 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 formulas for calculating lobbying limits are found in Part VI-A of 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. An example of an organization with a budget of \$900 of which all is considered “exempt purpose expenditures”, has a maximum lobbying limit of \$160 of which \$40 can be used for grassroots lobbying.

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 the 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 must be kept to document these 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 the legislative activities and a classified schedule of the expenses paid or incurred". For a non-electing 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. In addition, the organization's tax-exempt status may be revoked retroactively.

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.

Types of Board Governance

Boards of nonprofit organizations, while all volunteers, have differing levels of power, control, and responsibility. Both the type of organization and its incorporation documents determine these levels. As a board member, it is important to know which type of board, and what roles and responsibilities are involved with your board membership. The different levels of governance are:

1. Governing – This board is one that sets policy for the agency and sees that it is carried out. The board sets agency goals and objectives. They hire and supervise the executive director and approve plans and budgets, but leave the day-to-day operation of the agency, including hiring and supervising other staff, to the director.
2. Advisory -- As the name implies, the advisory board is a source of advice and counsel for the agency. There are no supervisory duties involved; the program is run entirely by its staff. Advisory boards may be involved in fund raising, publicity, or planning events.

3. Administrative -- Administrative boards are in control of the agency at all levels, from policy making and planning to daily activity and supervision. This complete control also means complete responsibility and liability for the actions of the agency. Typically this is the board of an unstaffed organization.

The typical self-help housing board is a governing board. This is especially true of the organizations that are exclusively Rural Development self-help and have no other programs or funding sources.

As the principal policy-making unit, such a board is responsible for establishing goals and objectives, and is vested with virtually all the power of the corporation, except powers specifically reserved in the bylaws for corporate members. Policies are broad principles designed to influence and control future decisions, directions, and actions. They should be precisely written and kept in a policy manual for easy access.

While it is not always possible to categorize policies into types, they generally fall into one of three categories:

- a. Governing. These policies are the universal ones which relate to overall agency planning and direction. They include the bylaws and decisions regarding agency activity.
- b. Executive/Administrative. These policies center on the hiring and supervising process of the executive or program director. In the case of self-help, they include interaction with Rural Development.
- c. Operating. Operating policies delineate the board's input into the day-to-day activity of the agency. This especially involves the budget (both approval and monitoring of expenditures). The policy-making board must be careful not to overstep its bounds when supervising operations. While it must guide agency activity, it does so through the executive director.

Just as there are policy types, there are also areas of policy. These are the specific areas of policy with which most boards deal:

- a. Human Resources

- Board membership -- including recruiting, orienting, developing, and special recognition of members for their contributions
 - Executive director -- including recruiting, hiring, and supervising
 - Personnel policy and plan -- including developing and revising as needed
 - Volunteers -- including recruitment, usage, and recognition
- b. Finance
- Fiscal management
 - Budget development and approvals
 - Grant writing and fund raising
 - Corporate investments
 - Protection of assets
 - Insurances
- c. Community Relations
- Clientele
 - Community outreach and promotion
 - Cooperation with other organizations
- d. Planning
- Establish and review the organization's mission, philosophy, and goals
 - Evaluation of program success and the continued applicability of program goals
 - Approval of the organization's activities
- e. Agency Operations
- Ensure that the structure and systems of the board and agency are sufficient to do the job and are legal
 - Ascertain that board and staffing requirements are met
 - Have sufficient funds to reasonably operate the agency and attain its goals

Warning Signs for the Board

There are several warning signs that could signal that there is trouble ahead for an organization or a board of directors. They are as follows:

1. Serious audit findings
2. Law suits
3. Micromanagement
4. Continued unresolved issues
5. Major financing sources unwilling to fund the organization
6. Project reserves under funded
7. Board doesn't speak with one voice – dissention
8. Lack of quorums
9. Large number of vacancies
10. Negative reputation with stakeholders

Characteristics of the Board of Directors

A good board is assembled over a period of time. The board must bring a cross section of skills, experience, and perspectives to the agency. Boards must strive to represent a cross section of the community. A consistent and intentional turnover of board members can lead to a healthy climate by bringing in fresh ideas and rejuvenating enthusiasm. Board terms may be limited for this reason. An aggressive board member recruitment plan is, of course, necessary to accomplish this.

The board should spend time figuring out its "ideal" composition. A mixture of community leaders, representatives from the agency's target constituency, and professionals whose skills the board and agency can call upon is preferable. The board should prepare "job descriptions" for seated and potential members. Make it clear that members must be willing to work and really contribute. Being an active board member takes a lot of time. Those who do not participate create even more work for those who do, often accelerating burnout among members.

Even the board that has an ideal composition cannot afford to be complacent about looking for new members. Turnover, burnout, and limits on terms create a continual need for new members. A board development committee could be established whose purpose is to provide and maintain a list of interested, potential members.

Board Responsibility

The Board's Authority and Responsibility

The board of directors is the governing body of a nonprofit corporation and is the source of all program authority. The authority of the board results from the corporation's charter and contractual relationships with Rural Development and other funding sources. It also results from properly conducted meetings and recorded minutes. The authority of the directors must be exercised as one body and not individually. No individual board member has any authority independent of the board as a whole, unless designated by the board. (There is an outline entitled "Source of Board's Authority" located in the Appendix, Attachment 1.)

Most governing boards of directors are responsible for:

1. Establishment and achievement of the organization's stated purpose and objectives.
2. Formulation of policies and plans.
3. Maintenance of membership and the corporate requirements.
4. Raising and managing the organization's funds.
5. Employment of staff -- hiring the executive director and approval of employment policies.
6. Supervision and evaluation of the executive director, as well as delegation of responsibilities to the director.
7. Appointment of committees.
8. Holding property.

Responsibilities of Officers

The **President** is the principal executive officer of the corporation and shall in general, supervise and control all of the business and affairs of the corporation. The President presides at all meetings, signs key fiscal and programmatic documents, and executes all contracts on behalf of the board of directors. The President must be fully versed in all activities of the corporation.

The **Vice-President** shall perform all of the duties of the President in his absence. The Vice-President should be well versed in all of the affairs of the corporation.

The **Secretary** of the corporation is responsible for keeping accurate and complete minutes of the corporation's meetings. These minutes should record all action taken at board meetings, all fiscal reports, all corporate resolutions, and all motions and votes taken by the board, and be kept in a special

notebook. The Secretary (or staff member if so assigned) is responsible for sending out advance notices of meetings. Also, the Secretary is the keeper of the corporate seal that is to be affixed to all appropriate documents.

The **Treasurer** shall have charge and custody of all funds and securities unless a bonded staff member has been delegated this responsibility. The Treasurer will make financial reports, both written and verbal, at all board meetings. The Treasurer 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 accounting manual. The Treasurer must be constantly aware of the financial health of the corporation.

Delegation of Authority: Responsibilities and Roles

Since the board of directors hires the executive director, the board is ultimately responsible for the actions of the executive director and other staff employed by the nonprofit corporation. Therefore, the board is responsible for seeing that the executive director is doing the job and should be fully aware of the fiscal and programmatic actions of the corporation.

The board delegates authority to the staff and should not usurp any of the responsibilities given to the executive director and/or other staff by involving themselves in the day-to-day operations. As mentioned earlier, most boards determine the policies of the corporation; the implementation of these policies is then delegated to the staff.

The executive director 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, and reporting to the board. The executive director, in turn, delegates responsibilities to the staff.

The board and the staff each have their roles to play. Each should understand its respective role and not infringe upon the role of the other. This is done through a clear delineation and delegation of authority. Typically, the roles are as follows:

1. Board of Directors
 - a. Policy determination and governance
 - b. Fund raising
 - c. Financial management
 - d. Hiring, supervising, evaluation of executive director

2. Executive Director
 - a. Management of day-to-day operations
 - b. Hiring and supervising staff
 - c. Support of board and committee activity
 - d. Liaison with related agencies

3. Board and the Director together
 - a. Long range planning
 - b. Enlisting volunteers
 - c. Community relations
 - d. Suggestions for new policies, plans, or directives
 - e. Program implementation

Corporate/Board Liability

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 of the corporation. Generally, 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 due diligence, they will not be liable as a group or personally liable for losses incurred by the corporation. For example, in terms of basic liability, if an individual threatens to sue for the \$1,000 s/he is owed, and the nonprofit decides that s/he is owed nothing and refuses to pay, the individual could sue the nonprofit, as a corporation, for the money, but could not sue any individual member of the corporation.

Keep in mind that a board member's first and foremost responsibility is to participate in the governance of the corporation for the best interest of all who are served by the organization.

Furthermore, there are three basic duties created by the fiduciary relationship, which the directors owe to the corporation: obedience, diligence, and loyalty. These can be grounds for liability cases.

The "duty of obedience" 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, the corporation's charter, and bylaws. 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 his/her or the corporation's 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 the organization's functions.

The second duty is the "duty of diligence." This has been interpreted as the attention and care that is legally expected of a person. At one time, courts required overt or affirmative actions by a director before imposing personal liability on them. It now appears that liability may result from mere inaction on the part of a director if such inaction is considered to be the cause of loss.

For example, if the board is sued for not paying a bill, and the director of the board misplaced the invoice, s/he could be personally liable. S/He would definitely be liable if s/he knowingly misplaced the bill.

In general, officers and boards of directors are not liable for errors in judgment provided prudence and care was present. The bottom line is to be careful and aware of your responsibilities in the management of the corporation.

The third duty owed by the directors to the corporation is that of "loyalty." This requires that a director refrain from engaging in personal activities that would injure or take advantage of the corporation. This involves any situation where the director would benefit by making a profit or where s/he holds a position as director, general manager or principal officer and where s/he has not previously informed those who are approving the business transaction of his/her interest or position.

In discussing the duty of loyalty, it is important to note the difference between conflict of interest and self-dealing. A conflict of interest occurs when a member of a board is considering engaging in a transaction with another institution with which s/he is affiliated. Self-dealing is an action

taken by a director for personal gain in a matter between the corporation and the director himself or another organization in which s/he has a substantial interest.

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:

1. Attend most of the meetings of the board and the board committees on which you serve as a member, or resign.
2. Make sure that there are full minutes kept on 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.
3. 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.
4. 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 corporation's legal counsel before allowing the proposed action to proceed.
5. If your board has not adopted a conflict of interest policy, urge it to do so.
6. 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.

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 costs money, often a great deal. Board of Directors have the option to purchase Directors and Officers Liability Insurance, which could help if the directors of the agency were ever sued. This type of insurance coverage is becoming quite common these days.

To further protect the board of directors, the board should adopt an indemnification policy (adopted by resolution or an amendment to the bylaws or articles, 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 actually and necessarily 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 of 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. The board, depending on the state's statute, should consider obtaining liability insurance on behalf of the directors. Such an insurance policy can be expensive and should be examined to be sure that it covers the types of lawsuits that are likely to occur and that it has sufficient limits of liability so that legal expenses incurred would be paid. Laws and insurance vary from state to state and legal counsel should be consulted.

Maintaining Good Corporate Standing

Participation in Rural Development's rural housing programs and many state housing programs, requires 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. Compliance with all reporting, tax, and state regulations is necessary to maintain a good standing.

The Appendix contains a legal checklist (Attachment 2) that is included for the board to walk through to ensure the corporation's good standing.

Board Meetings and Operations

Meeting Frequency

How often should boards meet? Many boards try to accomplish the full scope of their responsibilities in monthly or quarterly meetings. The board itself will determine the frequency for meeting, but when making this decision, the board should take a hard look at all their responsibilities -- the annual activities as well as policy making and supervisory responsibilities:

- The need for annual review of the organization's purpose
- The need for annual review of all the boards' current policy decisions
- Adequate attention to the boards' leadership development activities
- The budget development or review process
- The boards' own group development
- The annual performance evaluation of the executive director
- Annual fund raising activities (if required), and
- Periodic board self-evaluation.

A board should not overlook the full scope of its responsibilities and meet less often than is actually necessary. Whatever the number of meetings the board decides, the frequency, day of the month and the time should be specified in advance for regular meetings, and in the bylaws for annual meetings.

Meeting Attendance

The most fundamental requirement for a board member is regular meeting attendance and participation. Attendance requirements should be 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. In many cases, this requirement in the bylaws is not enforced. This can result in a weakening of the board over a period of time. The board president has the responsibility to contact the absent board member and inquire whether personal commitments conflict with regular attendance at board meetings. If the board member cannot make a commitment, then the board president should request a resignation. If the board member refuses, then the full board will have to decide whether to remove the absentee board member. The number of remaining years in the term of the board member will probably affect the board's decision. In a discussion on attendance, there is also

the case of the board member who is legitimately absent from meetings, but too often. A review of attendance records will reveal the problem, and if so, it too must be dealt with. A sample “Quorum Determination” form is included in the Appendix, Attachment 3, which can be used to not only record meeting quorums but also to keep track of board members' attendance and absences.

Agenda

The first order of business in preparing for board meetings is the development of an agenda. An agenda helps to ensure that meeting goals are achieved by helping to keep meetings on track. The responsibility of developing the agenda rests with the board president, usually in conjunction with the executive director. In developing the agenda, the president will contact the committee chairpersons to determine the needs of each committee at the board meeting. A typical agenda might include:

- Call to order

- Approval of previous meeting minutes

- Reports:

- Organizational staff (executive director's report, etc.)

- Committees (standing/permanent and then ad hoc/special committees)

- Financial report

- Old business

- (Discussion, problem solving, decisions left over from previous meetings)

- New business

- (Introduction, discussion of new topics)

- Set and confirm next meeting date

- Adjournment

Minutes

Minutes are the accurate record of board and committee meetings and are essential to an effective board. If the board finds itself in litigation, the minutes could become extremely important.

Ideally, the secretary of the Board or an assigned staff person other than the executive director should have the responsibility of actually taking the minutes. The executive director should be able to participate and concentrate on the meeting issues. If staff is not available, then the taking of the

minutes becomes the responsibility of the board secretary. The board secretary has the responsibility of reviewing the minutes prior to distribution when a staff person records them.

Minutes should follow a consistent format. The heading should indicate the date and location of the meeting, followed by a listing 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 and who is chairing the meeting. The minutes should be easy to read. Using frequent paragraphs and a new paragraph for each new idea or change of topic is a good technique. Vote counts should be noted in the minutes, along with motions and seconds. If there is a split vote, note the number in favor, the number against, and the number of abstentions. If any member chooses to have their vote or lack thereof noted in the minutes, this request should be honored. Finally, be sure that the motions and decisions are written down in the exact language intended by the group.

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 contents of the minutes, add, at the beginning or end, a concise list of decisions that still need follow-up. Each item would require a one-line description with the name of the person or group that the decision was referred to for implementation and the time frame established by the board for completion. Then, give only the full board the authority to remove a decision from the follow-up list.

Typing of the minutes is usually a staff function. Mailing the minutes ideally occurs within ten days of the meeting. This allows the members to review them while the meeting is still fresh in their minds and eliminates any need to read them aloud at the next meeting.

The organization's office should maintain the official copy of both board and committee meeting minutes. Minutes for the past 12 to 18 months are kept for reference. Minutes older than 18 months are stored in a permanent file. Individual minute notebooks should be kept for the board and each active committee. **Do not forget** to make corrections to the official set of minutes when at subsequent board meetings corrections are determined appropriate by the board.

Meeting Preparation

Preparation for the next meeting begins with the mailing of the notice one week in advance of the meeting. A variety of information is included with this notice, which is designed to notify and educate board members of issues to be addressed at the next meeting.

Obviously, the most important piece of information to include with the meeting notice is the proposed agenda. In addition to the agenda, reports (i.e. treasurer's, executive directors, special reports, etc.), and other material, which will serve to educate the board or committee members concerning decisions they must make at the meeting, should be mailed with the notice. The key is that board or committee members must be sent as much information as necessary prior to the meeting, so that they are well prepared to participate in discussions and make educated decisions.

Conducting Meetings

It is during meetings that decisions of the board are initiated, studied, recommended and reached. Meetings require the organization's best efforts in both planning and conducting. 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 and conducted. The board president should be the one to lead and conduct meetings.

The first rule in conducting the meeting is to start and end on time. If the chairperson caters to those individuals who seldom arrive on time, starting times may become later and later. Some organizations start the meeting with the approval of the agenda. Your board may see this as merely a formality unless a question is raised. The next step is approval of the minutes from the last meeting.

The treasurer's report or the monthly financial report will address questions and clarifications of any points that are not understood. The board members should understand the financial report before approving it.

Much of the meeting will be taken up with the executive director's report and the committee reports. The executive director's report should be placed on the agenda according to its contents. This often occurs near the beginning of the meeting since there will likely be board decisions made as a result of this report.

The executive director's report comes in two forms, written and verbal. The director's monthly statistical report should be mailed to the members in advance as facts and figures are better read than heard. Executive directors can better use their time at the board meeting by reporting progress towards organizational objectives (the report should relate to benchmarks within the plan so that the board can assess progress or lack of it), by discussing successes over the past reporting period and any problems that might be developing, by educating the board about the services that are provided, new trends and program developments, or by suggesting policy revisions.

Committee reports should be limited to those committees which have recommendations for board action or who want to use the board as a forum to help them in their deliberations.

Role of the Chair

Chairing a meeting is an important task. Leadership style depends on the group and the nature of the task. The leadership style will vary from a full board meeting and the meeting of the long range planning committee. There are leadership characteristics that are common to all meetings, and they include the following:

1. Preparation. Develop the agenda with the staff and the committee chairs.
2. Choose a meeting place and plan seating arrangements that will be most conducive and appropriate for the meeting. This can be done through the staff or personally.
3. All participants must understand the purpose of the meeting and all topics to be discussed.
4. Facilitate discussion by getting everyone involved. To ensure that all parties participate ask each person in turn their opinion on an issue.
5. Listen carefully and be sensitive to ALL parties involved.
6. Do not dominate or editorialize.
7. Help the group to work through blockages that may develop.
8. When summing up -- do it accurately and fairly.
9. Vote only when needed to make or break a tie. A tie vote is the same as a defeated vote.

It is the chair's responsibility to get the most and the best out of the group.

Parliamentary Procedure

Parliamentary procedure is a set of rules for conduct at meetings. It allows everyone to be heard and to be involved in the making of decisions. "Robert's Rules of Order" is the commonly used handbook of parliamentary procedure. Rigid obedience to Robert's Rules of Order can be inhibiting to the kind of discussion characteristic of nonprofit board meetings. Typically, nonprofit organizations should be able to work together and to debate with one another without excessive adherence to Robert's Rules. It is, however, important that everyone know at least the basic rules. The following website is one resource for obtaining the rules: www.constitution.org/rror/rror--00.htm.

Board Committees

Committees of the board of directors are needed to study, review, evaluate, advise, and recommend a decision to the full board. An effective board cannot function without its committees because there is insufficient time at the meetings to deal with all of the details needed to make decisions. Committees are set up to reduce the workload of the full board.

Typically, the board would have standing and ad hoc committees. A standing committee has on-going responsibilities, with terms usually lasting a year. Standing committees should have a written description of their responsibilities. It should clearly state their goals and objectives, and what decisions and actions of the committees require approval of the whole board. Following is a minimal list of the kinds of standing committees that a self-help housing organization might have.

1. Executive -- comprised of the board officers with support from the Executive Director, is charged with the responsibility of making decisions on behalf of the board in between full board meetings.
2. Personnel -- charged with the responsibility of formulating, reviewing, and revising personnel policies; hiring and evaluation of the executive director; and hearing employee grievances.
3. Board Development -- to recruit, interview, and nominate prospective board members, and provide orientation for newly elected board members.
4. Finance -- help develop budget, review reports, meet with auditor, review insurances, etc.

Ad hoc committees are formed for a specific task, then disbanded. Like standing committees, they also need clear written descriptions of what they are charged to do and by when. Some typical kinds of ad hoc committees that a self-help housing organization might have are:

1. Audit -- to review and accept the organization's annual/bi-annual audits.
2. Bylaw Review -- to review, and recommend revisions to the organization's bylaws.
3. Fundraising -- assist the professional staff with organizing and carrying out the annual fundraising drive.
4. Annual Meeting -- support and assist the professional staff with organizing the annual meeting and membership drive.

Obviously, there are a number of other committees for a board to consider. Each board must determine which committees will best serve the needs of the organization. The board should assign only the number of people to each committee necessary to get the job done. Also, the need for and objectives of each committee should be reviewed annually.

If there is at least one level of staff below the executive director, then the board should expect staff support in board committees. Whenever possible, the executive director should delegate some committee staff support functions to other professional staff.

Any committee staff support person should clearly understand what it is that the full board expects of the committee. The professional is expected to supply expertise, assist the committee chair in establishing committee objectives and in setting committee priorities for the ultimate approval of the full committee. The committee staff support person should advise the committee of any changes or developments that may have taken place which may affect the committee's work and recommend appropriate responses to those changes.

The committee staff support person should participate as an equal in the committee discussions; however, should a vote be necessary in the process of deciding upon a recommendation, the staff person does not vote. A committee staff support person who has served the committee for a few years brings continuity and a link with past work, which is important to the education and annual orientation of new committee members.

Agency Planning

Corporate or agency planning is perhaps the most important function of the board of directors. In planning, the board must consider and set the goals for the agency within the framework of the corporation's statement of purpose, and then decide how to meet those goals. Remember, the agency is a reflection of the goals it has set, and that carefully designed goals and a plan to meet them are the factors that determine success or failure for the agency.

Goals and Objectives

A goal is a target the agency wishes to reach. Goals may exist on several different levels:

- Broad - as in statements of mission or purpose,
- Long-range – three to five years in the future, often referred to as strategic planning
- Short-range - from one to three years in duration; goals regarding funding levels or clients to be served, for example, and
- Operational - **very** specific short-term goals, usually less than a year in duration and easily measurable as to success or failure.

Objectives are the more specific steps needed to attain the goals. By setting objectives, the board is saying "these are the steps that we want accomplished and this is where we want the agency to be within a set time frame." Objectives need to be:

- Measurable - such as dollars raised, houses started, participants recruited, staff hired, etc.
- Result oriented.
- Feasible - given agency resources and operating environment.
- Relatively short-term - several smaller objectives leading to a goal are preferable to one large, long-term, and complex objective. Short-term objectives also indicate more careful planning.

The agency is chartered to perform certain tasks or services to fulfill a purpose. Funding sources often dictate certain or "given" goals. For example, as a self-help housing grantee, you are funded specifically to provide the technical assistance necessary to build Rural Development financed mutual self-help houses. These are "given" goals -- those you must work towards.

They cannot be changed without changing funding sources, and for those that are solely self-help housing agencies, without fundamental restructuring of the corporation.

Determining Goals

When first organizing and periodically thereafter, the board of directors should determine the corporation's goals. These will probably be general or broad in nature at first, for example to improve the community's low-income housing or to help reduce poverty. More specific goals, such as to develop twenty-five low-income apartments, provide forty homeownership opportunities, or raise an annual budget of \$500,000, can then be established. The corporation's Articles of Incorporation will restrict certain activities. Therefore, goals should be kept within the corporation's mission statement and never outside of its purposes. Each board member needs to know the corporation's restrictions as stated in the charter and be familiar with state laws and IRS codes related to being a nonprofit. The board of directors should also be well acquainted with any existing goals, and as new ones are set, they should not conflict with existing ones.

Many self-help housing grantees, unless a multi-funded agency, have as their primary purpose to provide the technical assistance needed to build self-help housing. This is the only activity allowed under the Rural Development 523 grant program. Any other goals and activities must be funded by other sources.

Operational Plan for Achieving Goals

The board should periodically set an operational plan, usually annually. This plan should include the objectives necessary to meet the long-range goals. In setting objectives, the board must be careful to observe several guidelines:

- a. Objectives must be consistent with the mission of the organization and put in writing.
- b. Objectives must produce specific results when accomplished.
- c. Set the objectives within definite time frames with specific dates for completion.
- d. Benchmarks must be established with a timeframe in which progress can be measured.
- e. Objectives should be realistic, attainable, and agreed to by all who are involved.

Annual Review of Goals and Objectives

Goals and objectives need to be periodically reviewed and revised. This is a regular function of the board and needs to be scheduled at least once a year. An annual review can ensure that the agency is living up to its mandate. Every nonprofit corporation should have a means to accomplish the review/evaluation process. A committee of the board, perhaps the executive committee, could conduct the review and prepare a report for the board. The purpose of the review is to evaluate the ongoing work and programs as to relevance to the goals and objectives of the corporation. The report should indicate successes as well as what has not worked and why. As a result of the review, the board can consider revising, dropping, or adding goals, and then set new objectives as appropriate. From this, a new operational plan should be drawn as a guide for all agency activity.

The Role of the Budget in Planning

The organization's budget can be one of the most powerful planning tools available to the board. For some programs, it can be the only yardstick by which to measure progress. It is a plan of action that equates activities with the cost of doing them.

The operational budget corresponds with the operational plan, which means activities should correspond with the money available in the budget to accomplish them. However, the budget must not be allowed to dictate the plan or the level of activity. Budgetary shortfalls should point to the need for fund raising. The board should not confuse the amount of money spent in any given budget category with actual progress towards a particular goal. While they often correspond, they do not necessarily.

Furthermore, budgets do not tell anything about the quality of services performed. This information must be obtained through the other evaluation activities.

Strategic Planning

Strategic planning is the process by which an organization envisions its future and develops the necessary procedures and operations to achieve that future. While this type of planning used to be done in five or ten year increments, now every three years is typical.

There are numerous potential benefits of such planning, such as the following:

- Identifies potential problems or opportunities that exist or may arise.
- Can improve the decision-making process of an organization.
- Causes the organization to focus on future directions, values, and objectives.

- Can help an organization adapt to changes in its environment.
- Can help managers assure the success and survival of the organization.
- Can help the organization provide better, more effective products and services to their target market.

In order to envision the future, it helps to look at the past. This is the first step in strategic planning. The past represents an organizations' history and heritage. Investigate such facts as why the organization was created and by whom. What has the organization looked like over the years (structure, people, programs) and how has it changed? What was the organization's original mission? It would also help to list some accomplishments the organization has had. There is an "Organizational History" chart in the Appendix, Attachment 5, which should help with this step.

The next stage in strategic planning is to analyze the present. Where is the organization now? A vision cannot be established for the future before knowing the current status of the organization. In addition to board members and key staff, consider having funding sources, clients, collaborating agencies, and vendors play a part in your assessment of the present organization.

In order to effectively look at the current status of an organization, follow the "SWOT Analysis."

SWOT Analysis

Strengths

Weaknesses

Opportunities

Threats

The following are questions to ask in each category to assess the organization's present status:

Strengths

- What are the internal strengths that make our organization successful?
- What are the strengths that make our employees successful?
- How could these strengths be enhanced?

Weaknesses

- What internal weaknesses keep us from achieving their full potential?
- What weaknesses keep our employees from achieving their full potential?
- How could these weaknesses be reduced or eliminated?

Opportunities

- Which opportunities are we presently taking full advantage of?
- Which opportunities are we not currently taking full advantage of?
- What opportunities are our "competitors" taking advantage of that we are not?
- What mechanism exists for the organization to become aware of opportunities?

Threats

- What externally tends to negatively impact on the organization's success?
- What external issues may negatively impact on the organization's future success?
- What changes do we expect in the organization's business environment?
- What changes do we expect in our customer's/client's environment which may impact us?

Now that all of the previous information has been collected the board should be able to focus on the future. No longer can facts and data be relied upon. This stage involves thinking, imagining, dreaming, and setting a course for the organization's desired or preferred future. Strategic planning can help you consciously work towards that desired future.

This stage may involve revising the organizations mission statement, if necessary, and setting goals to take the organization through the next five or more years. In Tom Peters' book, In Search of

Excellence, he states, “A clear vision of the desired state of the organization is an essential component for high performance.” A vision can:

- Give direction
- Create clarity
- Provide a framework for decision-making
- Generate enthusiasm and commitment
- Chart a course to follow
- Articulate values

During strategic planning facilitators are often used, particularly for envisioning the organization’s desired future state. A trained facilitator can help guide participant’s visualization and help create an environment that is conducive to realizing a vision. The following questions may assist an organization with its “vision quest”.

- What do I most want to see happen with this organization?
- If you could “have it all” for your organization, what would it be?
- What would you most like to see your organization accomplish?
- What do you want your organization to look like 10 years from now?
- What would you shoot for if there were no limits or obstacles?
- What would we set out to do if we knew we could not fail?
- What do you want your organization and you to be noted for?

If your organization does not have a mission statement, now is the time to create one. A mission statement describes the organization’s reason for existence. If the organization has one already, make sure that the vision is consistent with it. A mission statement should describe the organization in four areas: who the organization serves, what services the organization provides and the needs it meets, how the organization carries out these services, and where the organization engages in business. If your vision is reflected within your current mission statement, change may not be necessary. However, if the current mission statement is different than the scope of activities you plan for the future, some changes within the statement may be necessary.

After the vision and mission have been established, actual goals and objectives need to be defined to enable you to achieve the desired future. While goals are broader and reflect targets, objectives should be specific steps necessary to achieve the overall goal. To help objectives be achievable they should be SMART: Simple, Manageable, Articulate, Realistic and Timely. Answering

the question of who, when, where, and why can help assure that the objectives are SMART, quantifiable, and measurable.

Strategic plans can take many different formats. Each consultant has a different one, and you will want to have input to develop a format that will be most useful and workable for your organization. You do not want the plan to be adopted and then gather dust in a filing cabinet, so make sure the plan is in a format that works for you. It may be a board committee or staff that work on the plan. The following is a sample outline for a strategic plan.

- I. Mission
- II. Strategies
- III. Goals
- IV. Objectives
- V. Evaluation and Review

No matter what format the plan takes, the following five steps should be utilized.

- **Step 1 – Agree on a Format** – The committee or staff or in combination with a consultant must develop a format that all can feel good about. This could be a simple outline that is drafted and agreed upon before the actual narrative is written.
- **Step 2 – Develop the Draft** – Start using the computer or pull out the ink pen and write. Brief is better. Circulate the draft to committee members, have the management team and key board members read it.
- **Step 3 – Finalize the Plan** – After receiving comments and suggestions from persons who read the draft, finalize the plan, and get it into professional looking form.
- **Step 4 - Adopt the Plan** – The plan has little value if it not adopted by the Board of Directors. An unadopted plan carries little weight. This should be done at a formal board meeting, and the adoption should be reflected in the minutes. The adoption date can then be added to the plan's cover page. The plan must also be interpreted to the employees of the organization, and perhaps others. This could be done at staff meetings, a retreat, etc.
- **Step 5 - Use the Plan** – Review the plan on a regular basis and update it as necessary. Keep it as the blueprint for the management and board. Evaluate the successes and failures along the way.

Grantsmanship and Fund Raising

For an agency to meet its goals, survive, and thrive, it must have sufficient funds. Financial requirements need to be considered from two perspectives -- enough money to do the job the agency has committed to do; and having the right kind of funds to do the job. Therefore, for many nonprofit corporations, much of the planning effort must involve fund raising.

Determining Fund Raising Requirements

First of all, what does the board want to accomplish or achieve? Which goals have not been addressed or attacked by the organization? One of the best techniques for developing sound proposal ideas is for the board to brainstorm. Brainstorming is a technique for quickly generating a long list of creative ideas.

Next, the board needs to determine which ideas it wants to concentrate on and how much money is required. The actual preparation of a proposed budget that includes staffing, office, and specific activity and outreach expenses to meet the agency's objectives is the best source of a total budget figure. This is the amount needed to accomplish everything the agency wants to do.

Who will do the fund raising? Often, board members feel it is solely the executive director's job. Remember, fund raising is a basic responsibility of the board and not the executive director or staff. In addition, some funding sources may prohibit staff from participating in fund raising efforts as a paid employee. The board members and corporate members are a reservoir that the agency should utilize for fund raising.

Targeting Funding Sources

What "kinds" of money are needed for the job? Different activities require different sources of funds. For instance, a Self-Help Housing Section 523 grant provides the money the organization needs to develop self-help housing. Other sources would be required if the board decided to develop apartments or rehabilitate houses.

The board should review the corporation's goals and objectives. Can federal or state grant funds be used to carry out these goals? Are other sources needed? Perhaps an "unrestricted" fund that would allow activities not allowed under targeted program monies, such as land options, should be established.

Types of Funding Sources

Private and corporate foundations A vast amount of money is granted by these organizations, and a tremendous number of agencies and individuals compete for the resources. Foundations are typically geographic area and/or activity specific. The best approach into the foundation world is to start with a fairly detailed proposal draft -- what you want to do, who you want to work with, and where you want to work -- and then locate the foundations which have interests that match your proposal.

It is a mistake to try to invent a project to match a specific foundation's program. Foundations are usually quite good at filtering out these "backward" proposals. If it is funded, however, you may be "stuck" with a program totally unsuited to your agency and resources. Foundations do provide grants for general support which are often unrestricted; however, these grants are the most difficult to obtain.

Banks Banks with CRA responsibility are a ready source for grants and investments.

Federal housing and administrative funds Rural Development and HUD have a few administrative grants and loans available for housing development. They are directed toward multi- and single-family housing and site development.

Community Development Block Grants (CDBG) As part of the "revenue-sharing" push, CDBG is federal money allotted to the state to be used to develop housing and community facilities. Some are administered by the state, some by counties, and the rest by "entitlement" cities or counties. Check to see who administers the program for your area(s). Find out whether your agency might qualify to apply, as this varies from area to area.

State housing programs These may be extensive or non-existent, depending on the state; check with the state housing finance agency or the Department of Community Affairs. However, you may find that a state-funded program works very well in coordination with your existing programs. Certain economies of scale in program administration are available to the wisely run multi-funded program, and some states have very unique and flexible programs.

The community is also a good source of unrestricted funds, although generally limited. Something as simple as a bake sale, or as complex as sponsoring a community event could be considered. Larger events may require co-sponsors, other nonprofits, or perhaps community businesses. A second benefit, beyond the money raised, is that the organization becomes more visible

in the community. A good community image and support are necessary components of many housing programs.

Monitoring Fund Raising Efforts

The board needs to analyze its funding needs in order to ascertain how well they match with the funding source's priorities.

1. Compare priority of prospective funding source with agency goals and purposes.
2. Check legality. Are the fund raising efforts and the proposed activities legal and allowable according to the corporation's funding sources and charter?
3. Budget for resource development. Does the budget encompass the staff time needed for the fund raising efforts? Is there any volunteer time available? This is an area where unrestricted funds are important to have.
4. Monitor fund raising effectiveness -- dollars spent vs. funds raised. Was more money raised than spent? Is the "seed" money being well spent?
5. Measure impact of public relations on fund raising. Have agency advertising and PR efforts assisted in fund raising?

Income Projections

Within the budget process, the agency must plan based upon the money actually available for the coming year. Planned activities must correlate with funds that the agency can reasonably expect to receive. Should a large grant or a very successful fundraiser suddenly bring in a lot of money, that is great -- the program can expand. However, the work plan for the year should reflect a realistic budget.

Income projections should include the existing grant(s) and other on-going fund raising efforts that are relatively secure. If, for example, the agency has an annual community fund raising event, a projection can be based on how much it has earned in the past. On-going grants, as well, can be expected to provide steady income. These sources combine to provide the basis for the agency's annual budget.

Administration of Agency Personnel

Supervision

It is the responsibility of the Board of Directors to supervise the Executive Director. The difficulty comes with knowing what is appropriate supervision and what is not appropriate. It has been said that board members need to "learn how to keep their hands ON the organization, but not IN it."

The board hires, monitors, and evaluates the executive director, delegating all other hiring and administration of personnel to that position. The board must see to it that the agency has a complete up-to-date personnel plan. A personnel committee of the board can handle many of these responsibilities with final approval belonging to the full board in most cases.

The board should closely examine the position of the executive director. The director is the main communicator between the staff, the board, and funding sources. The director is the board's main source of information. Trust and good communication must exist. Good communication begins with both the executive director and the board members knowing and understanding the full responsibilities of the job that the director has been hired to do.

Job Description

Appropriate supervision begins with a good job description in place at the time of employment. The job description should be updated annually by the personnel committee, prior to the annual evaluation. If your organization does not have a job description in place, it should be a high priority to develop one. A good job description should be results oriented and avoid going into detail about how the job is accomplished. It will include the responsibilities and required skills, training, and experience needed for the job.

Typical responsibilities, skills, experience, training, and education for the director of a self-help organization include:

Responsibilities -- The director has many, to both the board and to the agency. These tasks may be performed directly or delegated to other staff, but are still the ultimate responsibility of the director:

- Hiring and supervising staff;
- Preparing and submitting grant applications;
- Ensuring that the agency has and uses proper fiscal controls;

- Promoting the agency and its programs within the community;
- Establishing and maintaining good communications between the agency, funding sources, and the board
- Properly submitting reports to funding agencies and the board.

The personnel committee should determine what the job responsibilities are for the director as they apply to each particular organization, and submit them to the full board for approval.

Skills and experience -- A list of the skills and experience needed are an important part of the job description. The chances of finding someone with all of the desired prerequisites are improbable; however, listing them and fulfilling them in the order of importance to the program is a good way to both choose and then evaluate the position:

- Nonprofit management (personnel and fiscal);
- Successful grant proposal writing;
- Contracting and/or construction experience;
- Land development;
- Experience with housing programs.

Training and education --

- Nonprofit management or business degree;
- Adult education training or degree.

Job descriptions should be up-to-date. All advertising, interviewing, hiring, and evaluations will be based on this document.

Hiring

Hiring program directors can be the responsibility of the executive director or board, depending on the structure of the agency. Advertising for these positions can be done through the newspapers, newsletters, direct mail, word of mouth, and local employment agencies.

- Newspapers (local and regional). The ad should be short with interested parties contacting the organization for an application package.
- Newsletters. Rural development networks have many newsletters that go to other nonprofit organizations.
- Direct mail. Get mailing lists from other nonprofit or government agencies. Mail job announcements directly to individuals or agencies for posting.

- Word-of-mouth. Ask around. Let people know about job openings.
- Local employment development departments.
- Do not forget to let your current staff know of the job opening. There may be an individual on staff who is interested in the position. It may be wise, though, to fully advertise the position and rank the current employee with other applicants. It provides more objectivity and substantiates the choice.

Whether you choose one or some combination of these methods, application packages should be prepared by the agency. The package will include the job description, requirements for the job, salary schedule and application form, as well as general information about the organization and the program.

After the cut off date for receipt of applications, the personnel committee or executive director, should set up and conduct interviews with the applicants who appear to meet the qualifications. Interviewing is the most important phase of the hiring process. Make sure that the interviews are thorough, equal, and legal. A list of standard questions should be established based on the job description. Review these questions to ensure that they are legal. The state's Department of Labor, Equal Employment Opportunity Division, can supply a list of guidelines.

Once the applicant interview is completed, the personnel committee should rank the individual. The weight of the ranking factors is based on the importance of the items in the job description. Each organization should develop its own criteria and ranking factors. The ranking procedure provides the personnel committee with objectivity by taking emotionalism out of the process and focusing on what is best for the organization overall. The ranking procedure can also protect against lawsuits and challenges. The personnel committee should also check the references given by the top candidates. Using a reference sheet with standard questions assures that questions are specific to the job description. References should be professional, and ideally provided by the person who supervised the applicant.

The committee will then submit one or more finalist to the entire board for a second interview or action on a hiring recommendation. The final selection will be based upon both objective and subjective measures.

Monitoring

Appropriate supervision of the executive director may be one of the most important tasks of the board of directors, and is something that the executive director should want and expect from the board. The only way any board can have confidence in its executive director is through appropriate supervision. No board of directors' time is so valuable that they should neglect this function. The board must not "think" it knows that the executive director is doing a good job; their confidence in the director must be based on "demonstrated" fact. Executive directors should encourage their boards to supervise appropriately. A sudden loss in confidence could cause the board to question the director's competence, particularly in the face of a crisis, and may lead to termination of the executive director's services.

The following is a list of some monitoring devices that should be used:

- A job description clarifying responsibilities and actions
- An annual budget review and approval
- The monthly review of financial reports
- Monthly oral or written program reports by the Executive Director
- Annual evaluation of the Executive Director

Evaluation

The annual evaluation is the final ingredient of properly supervising the executive director. This evaluation by the board is potentially the most useful and beneficial supervisory tool available to a Board of Directors and, unfortunately, the least often used. A properly conducted annual evaluation, based upon job description and upon agency objectives, can provide great benefits both for the Executive Director and the board and, therefore, for the agency. A successful evaluation is a logical process where all of the players are fully aware of all the steps. The following eleven steps are good to follow to ensure an accurate and thorough review takes place.

1. There is a current job description in existence and it has been in existence over the period being evaluated.
2. Objectives exist for the organization.
3. An evaluation team is appointed by the president, usually consisting of the officers and committee chairs, all of whom should have had reasonably frequent contact with the executive director over the period to be evaluated.

4. The Personnel Committee develops an evaluation checklist based upon the job description and organization objectives. The evaluation team will be asked to rate the executive director's performance against each line item on the checklist as follows:

- Outstanding
- Good. If better than what is expected.
- Adequate. No less/no more than what is expected.
- Poor. Less than what is expected.
- Unsatisfactory.

Space should be allowed on the checklist at each line item for comments.

5. This evaluation checklist is mailed to each member of the evaluation team with a self-addressed and stamped return envelope and a request to return the checklist to the Chairperson of the Personnel Committee within ten days. Respondents may or may not sign their individual checklists at their own option.
6. At the same time, a copy of the evaluation checklist is mailed to the executive director with a request for the executive director to complete it as a self-evaluation and to hold it pending the evaluation conference with the president (step #9 below).
7. Once all of the checklists have been returned, the chairperson of the Personnel Committee makes up a composite checklist, which by line item, indicates the number of responses for each numerical rating and randomly lists all comments made by members of the evaluation team without identification of the source of each comment.

For example:

| <u>TASK</u> | <u>RATINGS/RESPONSES</u> | <u>COMMENTS</u> |
|---|--------------------------|--------------------------------|
| Provides support to fund raising activities | 5 - 2 | a) "Highly creative." |
| | 4 - 10 | b) "Needs to improve |
| | 3 - 0 | relationship with United Way." |
| | 2 - 0 | c) "Good public speaker." |
| | 1 - 0 | |

The Personnel Committee Chairperson should then hold the individual evaluation checklists until the process is complete (step #11).

8. Once the composite evaluation checklist is complete, there should be a closed meeting of the officers and the chairperson of the Personnel Committee to discuss the composite evaluation. If shortcomings are pointed out, and generally agreed upon, then a work improvement plan should be developed which might require specific interim evaluations in the future. Performance

consistently good to outstanding will suggest positive changes in compensation and appropriate recommendations to the board should be developed at this same meeting.

9. The president, alone, should then meet with the executive director to discuss the evaluation, to compare the board's evaluation with the executive director's self-evaluation, to discuss any work improvement plan which the evaluation process has suggested, and finally, to discuss any appropriate changes in the executive director's compensation.
10. The executive director then has the right to respond to the evaluation team or the full board should a disagreement exist. Such a response should lead to a dialogue in which the problem area can be resolved in a candid and professional manner.
11. Once full consensus has been reached, the final evaluation should be signed by both the executive director and the president, and then kept on file.

The staff should play no part in the executive director's evaluation process. The evaluation, when approached as a logical process, benefits the organization in the following ways:

- Requires that the board regularly review the job description of the executive director.
- Requires that the board be aware, or become more pointedly aware, of the full spectrum of the executive director's responsibilities.
- Requires that the board and the executive director be reminded of all of the objectives that have been set for the organization and how well or how poorly progress is being made towards those objectives.
- Provides the executive director with the opportunity for a forum situation with the board on problems being faced in achieving the stated purposes of the organization.
- Provides a logical basis for decision-making as to the executive director's future compensation.
- Provides protection for the executive director against adverse effects when board members have a number of diverse views towards the nature and the goals of the executive director's job.
- Contributes to the professional development of the executive director.
- Provides another opportunity to keep members of the board of directors more involved with the operation of the organization.
- Assures that the organization is serving its community to the best of its ability and available resources.

In order for the board to determine that the director is properly supervising the staff and that relations between the staff and director are good, the board should keep their eyes and ears open:

- Do you observe that organizational objectives are being achieved and are they achieved on schedule?
- What degree of staff turnover is the organization experiencing?
- What is the quality of support that staff persons are providing to board committees?
- How is the telephone being answered?
- What is the general atmosphere in the organization's offices?
- Do staff members appear to be cheerful and working well together?
- What are you hearing when the executive director reports to the board each month?

Through careful observation, the board can determine a great deal about how things stand between the executive director and staff. Furthermore, it is unwise -- in fact, detrimental -- for the board or individual board members to speak directly with staff members about the performance of the executive director. Staff persons who approach board members regarding problems they may be experiencing with the director should be encouraged to work the problem out directly with the director or be referred to the grievance process.

The Agency Personnel Policy

The personnel policies are the guide for the administration of all agency employees. The board must make certain that both agency and employee interests are protected by the personnel policies. They need to be thorough, specific and legal; as well as acceptable to Rural Development.

The board's personnel committee can be given the responsibility for review of the agency's policies. It is a good idea to do this annually. Responsibility for revisions can be given to the committee or the program staff. (Review by an attorney versed in labor laws for your state is an excellent idea. Such services may be available pro-bono to nonprofits.) Approval of the personnel policies rests with the entire board.

The personnel policies should consist of several sections. The following is a sample table of contents with topics that should be covered.

I. INTRODUCTION

- A. Mission
- B. Description of Organization
- C. Purpose of Personnel Policies
- D. Organizational Authority

II. AGENCY POLICIES

- A. General Policies
- B. Equal Opportunity Statement
- C. Americans with Disability Act
- D. Drug Free Workplace
- E. Sexual Harassment
- F. Code of Ethics
- G. Federal Fair Housing Law

III. EMPLOYMENT PROCEDURES

- A. Authority
- B. Categories
- C. Classification of Employees under Fair Labor Standards Act
- D. Job Descriptions
- E. Recruitment
- F. Selection
- G. Personnel Records

IV. EMPLOYMENT STANDARDS OF CONDUCT

- A. Conduct
- B. Confidentiality
- C. Conflict of Interest
- D. Gifts, Gratuities, Honorariums
- E. Outside Employment or Activity
- F. Use of Property
- G. Political Activity
- H. Personal Appearance
- I. Smoke Free Work Place Policy
- J. Additional Conduct Items

V. EVALUATION PROCEDURES

- A. Initial Probationary Period
- B. Annual Employee Review
- C. Unsatisfactory Employee Performance

VI. TERMINATION

- A. Voluntary Termination
- B. Lack of Funding or Organizational Restructuring
- C. Involuntary Termination
- D. Employee Responsibility Upon Leaving

VII. GRIEVANCE PROCEDURES

- A. Grievance Process

VIII. COMPENSATION

- A. Salary Administration
- B. Benefits
- C. Reimbursements

IX. TIME AND ATTENDANCE

- A. Office Hours
- B. Lunch Period
- C. Time and Attendance Record
- D. Lateness and Absences
- E. Compensatory Time
- F. Working at Home

G. Determination of Office Closing Due to Weather

- X. PAID/UNPAID LEAVE**
 - A. Holidays
 - B. Annual Leave
 - C. Sick Leave
 - D. Other Paid Leave
 - 1. Maternity/Paternity
 - 2. Compassionate Leave
 - 3. Jury Duty
 - 4. Military Leave
 - E. Unpaid Leave
 - F. Leave of Absence

The following sample personnel forms can be found in the Appendix:

- Time and Attendance (Attachment 5)
- Request for Leave (Attachment 6)
- Travel Authorization (Attachment 7)
- Trip Report (Attachment 8)
- Travel Expense Voucher (Attachment 9)
- Mileage Log (Attachment 10)
- Long Distance Telephone Log (Attachment 11)

Salary Schedule

The salary schedule sets ranges for pay in each position within the agency. The agency should conduct a salary comparability study by identifying and contacting other similar employers in the local area. Either the board or the executive director can establish the process of the wage comparability study. (Some areas have an association of nonprofit organizations that undertakes a wage / benefit study on behalf of nonprofits in the area or state.) The personnel committee should review the results and recommend any needed changes for approval by the full board. Once a salary schedule has been established, yearly revisions for Cost of Living Adjustments (COLA) should be made to every position and every step level. Updating the salary schedule each year with the COLA increase will eliminate time-consuming wage comparability studies for each new project.

Building An Effective Team

President's Role

The Board of Directors should be seen as a leadership team and the president as its captain. Organizational effectiveness begins with the president. It is the president's task to lead the board through the organizational year. However, today's organizations look for full group participation in the board's decision-making process. One of the president's tasks is to make this happen.

A president's primary role is to get the very best out of the leadership team. The following suggestions will help to ensure that this occurs:

- Take the lead in the orientation of new board members.
- Evaluate all of the individuals and make suitable committee assignments.
- Delegate what can be delegated in order to spread the workload and provide leadership experience to others.
- Plan ahead and know in advance what must be done -- and when --for the full year ahead.
- Contact, at least monthly, all the committee chairs to ensure that objectives are being met and to know their needs for upcoming board meeting.
- Meet with the executive director and plan the agenda for the next board meeting.
- Preside at the meetings of the board and the corporation.
- Continuously stimulate the board's leadership development efforts.
- Continuously evaluate all the individuals in order to know who is performing well thereby predicting the needs of the board for the years ahead.
- Play a leading role, if not the lead role, in fund raising efforts.
- Represent the voluntary leadership of the organization to groups within the community as well as to the community at large.

Team Member's Role

The leadership team is comprised of team members. As a team member, the role starts at home with a complete review of all the material that has been sent prior to the meeting. Nothing slows a meeting down more than having members of the group educate themselves of the issues at hand during the meeting. Prepared minds make better decisions, and making decisions are what a meeting is all about.

Team members should not be bashful about offering suggestions, nor should they dominate the meeting in an effort to force their views on the rest of the group. Team members should show respect for the other members of the group. A board or a committee cannot function well when its members do not respect each other. Be sensitive to cultural differences. Don't fall into the trap of judging people with different standards than yours. At the meeting do more listening than talking. And really listen. Pay attention to what the others are saying. It may give you the information you need to make a better decision.

When someone comes up with an idea with which you disagree, don't reject it out of hand. A bad idea will usually die of its own inadequacy. It is also not unusual for an off-the-wall idea to be the first element in a train of thought that ultimately goes somewhere.

Decision-Making

The end product of all board activity is making decisions. Following these eight steps that will lead to better decisions:

- 1) Define the issue. Don't attempt to begin developing solutions until the issue and all of its facets are completely defined. The lack of adequate issue definition will inevitably lead to a poor decision.
- 2) Referral to a committee -- at least for the more complex issues. A board is typically too large to deal in the details of every issue that it must decide upon.
- 3) Information gathering in the committee -- e.g. brainstorming, hearing from experts, developing questionnaires, and so forth. Important --permit no criticism of any idea, however wild, at this early stage. To criticize while gathering data will inevitably turn off the flow of good, creative ideas.
- 4) Evaluate your data. Criticism is now suitable. Weed out the weak alternatives. List out the options that remain. Prioritize where appropriate.

- 5) Discuss -- debate -- decide. Subject the options that remain to rigorous discussion and debate, eventually reaching a decision that at least the majority of committee members can support which will then be recommended to the full board. The goal is to achieve consensus among the committee members, but consensus on some issues is not always possible. While consensus is always a desirable goal, do not let the quest for consensus lead to a watered down, inadequate decision.
- 6) Recommendation to the full board for a final decision. The recommendation should be given to all board members in advance of the upcoming board meeting, in the form of a motion and be accompanied by all relevant data -- pro and con. The board will then discuss the motion and make its decision.
- 7) Fix the responsibility, set a time frame and follow up to be sure that the decision has been implemented and that the desired effect was achieved.
- 8) Evaluate the decision -- at least the big ones. The committee that made the recommendation at Step 6 should determine when an appropriate time to evaluate the decision would be and then do so. The results of this evaluation should be reported to the board together with any possible recommendations for improvement if the implementation is ongoing in nature.

Following these steps will lead to better decisions and to better service for the clientele served by your organization.

There are two team rating worksheets, "Team Development Rating Scale" and "What is Effective Leadership, Anyway?," located in the Appendix, Attachments 13 and 14.

Problems, Problems, Problems

For organizations, a problem is anything that stands between the program and its goals. It can take the form of a question, a situation, or a person. To solve the problem, you've got to remove it, jump over it, get around it, or learn to live with it.

Problems keep you going. Organizations that appear to go along smoothly without problems may have the real problem of stagnation. Edward de Bono, author of several books on problem solving, has written: "It may be that the biggest problem is that there is no apparent problem. If everything seems to be proceeding smoothly and adequately, progress may be impossible because

there is no problem which can be used as a step to improvement. Any enterprise that does not have problems does not have much chance of progress either. Problems are the jolts that shift things out of the smooth rut of mere adequacy.”

Aren't we lucky ? We have plenty!!!

Problems come in all sizes and disguises. There are three main points at which they show themselves in organizations:

1. In the organization structure itself (staff & membership)
2. In the program
3. In strategies for action

However, although a problem can have its roots at one point, it will probably seep into other aspects as well.

The-Problem-Solving-Process

1. Identify the problem
2. Analyze the problem
3. Set an objective
4. Gather information
5. Develop alternative solutions
6. Choose the best solution or course of action
7. Develop a plan of action

In following this process, it is very important to take these steps one at a time, and in order!!

New Board Members

Future Leadership Development (Board Recruitment)

Leadership development is closely tied to director rotation and officer terms. Many organizations have a system built into their bylaws that allows for one third of the board to be rotated each year.

In most cases, a second three-year term is allowable. Often, this rotation system is not followed closely and organizations are unable or have great difficulty replacing board members upon resignation. This leads to further lack of enforcement of the rotation system each year. One situation has compounded the other. One of the best methods for board members to develop their leadership capacity is through the mandatory practice of board rotation and the enforcement of term of office limitations. Without these, the board may simply be holding the line at the same level of service. As a board, attracting persons with leadership abilities to play an integral role in your organization is critical. Keep in mind that the majority of men and women who make time available to serve in a community service organization expect to be involved and anticipate opportunities for leadership advancement. They generally have a desire to make a contribution to the organization.

One of the goals of any board of directors must be to ensure that the next year's board is stronger than the current board. Putting together an active and effective board is a deliberate, conscious, and continuous process.

This may be easier said than done, but it is possible. Leadership development is a major responsibility of the president, the entire board, and executive director; not just a nominating committee. Successful organizations make finding capable people an ongoing activity. The board needs to be reminded by the president at each meeting to be watchful for those individuals who could contribute valuable services. Each and every board member knows of individuals within their own circle of friends, acquaintances, and associates who could be additions to the board. A database for keeping track of the names and talents of potential board members is often maintained by the agency. A Board Candidate Recommendation Card should be issued to all current board members with instructions to complete and turn it into the office whenever the name of a potential board member turns up. This provides the base for the nominating committee as well as a reservoir of names for volunteers, committee and general members. A sample form can be found as Attachment 14 in the Appendix.

The best recruitment comes from recognizing who the stakeholders of an organization are and seeking representation from them. Some examples of stakeholders for a local nonprofit housing organization are funders, banks, city officials or employees, churches, and the consumers of the services that are offered.

The next phase of the recruitment process is the establishment of the nominating committee. The following is a recommended format for the nominating process. It can be adapted to suit the structure of the individual organization.

During the first six months of each agency year, the president must constantly evaluate the strengths and weaknesses of the board. What skills does the board need which it currently lacks? What skills does the board have an excess of?

The nominating committee should be appointed approximately six months prior to the annual meeting. The board president should appoint the nominating committee and its chair and the choices should be approved by the full board.

The nominating committee should be a sufficient number of people to do the job and no more. The committee is to submit to the board and general membership a slate of new officers and new board members no later than 45 days prior to the annual meeting. Provisions for alternatives must be allowed and should be given 30 days. After the 30-day period has passed, the nominations are closed and any alternative slates are made known to the electorate within the remaining 15 days prior to the annual meeting. Allowing nominations from the floor at the annual meeting does not provide sufficient time for the electorate to make its decisions wisely.

Now that the time frame has been laid out, the nominating committee will be examined. Once the nominating committee and chair have been appointed by the president and approved by the full board, the president should provide his overview of the current status of the board at the first meeting of the committee. In effect, he is presenting to the committee a shopping list. This list notes the current board's strengths and weaknesses. Yet, the nominating committee is under no obligation to agree with the president. After making his recommendation of needs and analysis of strengths and weaknesses the president withdraws from the meeting. The nominating committee will then analyze the board's weaknesses and needed skills. One method of analysis could be a Board Profile Grid. This profile includes a listing of board characteristics that are deemed desirable. The characteristics will vary with the type of organization. A sample grid can be found in the Appendix as Attachment 15.

Prior to the formation of the nominating committee, the entire board should develop the characteristics. It is the nominating committee, however, that will complete the grid by checking

current board members and indicating the skills that each member brings to the board. The nominating committee will then have an analysis of where the board has weaknesses or needs skills.

The nominating committee must keep in mind that it is building a team. The first decision that the committee must make is who will be the next president. The decision made, it is necessary to meet with the committee's choice and persuade him to serve. Such an invitation should be face to face. Two or three individuals should meet with the prospective president. These should be people with tact and sensitivity who have a good relationship with the invitee. One person who should be present in this meeting is the current president. He may be the most persuasive person in gaining the acceptance of the invitee.

Once the new president has agreed to stand for election, the nominating committee should proceed with the other officers. It is entirely appropriate for the nominating committee to solicit and receive suggestions from the nominated president. Once other officers are identified, face-to-face meetings should take place to gain their acceptance to serve. Here again, it is not inappropriate for the president-to-be to be included at these meetings.

After identification of prospective officers, the nominating committee must consider board replacement, and if there is a system of rotation in place, there will be vacancies.

If there is a collection of index cards prepared by current and past board members that lists relevant information on potential board members, this is where the nominating committee should begin. If, however, the board profile and the shopping list of the incumbent and nominated president shows needs that the cards do not reflect, then the nominating committee must look elsewhere.

The committee members may have contacts within the community that will produce potential board members with the desired talents. Another option is to look to the members of the corporation. Other sources might be local community organizations, and the constituency that is served by the agency.

There is a growing trend to include representatives of the constituency on the board because they have an interest in the goals and the work of the agency. Such board members may lack the background and expertise to fully discharge the responsibilities of board membership. It becomes the obligation of the organization to train and educate these new board members to become fully functioning board members.

Now that where to look has been determined, the question of what to look for must be addressed. Nominees should have goals that are compatible with those of the agency. Ideally, they will be equipped with a talent found lacking in the balance of the board. Most importantly, they will

have the time to become involved with the activities and goals of the agency. It may be the case that leaders of the community will not have enough time to donate to the agency, and for this reason, it is often advisable to choose members of lesser rank.

Having identified individuals to fill the vacant seats on the board, the next step is to persuade them to serve. This should be done in a face-to-face meeting with two members of the nominating committee and the incumbent president. Nominees should be given the opportunity to visit the agency's facility, meet the staff, and maybe some of the constituency. Some agencies combine this with board orientation; however, new board members will take orientation more seriously after they have made the commitment to serve.

To successfully implement the rotation system requires that after a board member has served the term specified in the bylaws, he must step down from the board, usually for one year. Most organizations find it difficult to enforce this requirement for fear of losing an exceptional member to another organization during the year's time. There are legitimate ways of maintaining this member's involvement while still complying with your bylaws. The member could be made the chair of a committee (if the person's skills and the committee needs match); this allows the individual to attend the board meetings as the committee chair. If approved by the president and the board, this office of committee chair could carry full board membership by virtue of the office. This member could also be asked to serve on one of the more important committees during the year off; however, the individual would no longer be operating at board level.

By using any of these alternatives, the board can have the best of both worlds: a regular invigorated board as well as the involvement of a committed and active member.

In the search for capable new board members, and before recruitment begins, the board needs to take a look inward and ask itself the following twelve questions. The individuals you are wanting to attract to your organization will be asking these same questions:

1. What is the purpose of the organization? Is it well defined? Is it evaluated periodically -- preferably annually? Is it being achieved? If not, why not?
2. Do the bylaws define a structure appropriate to the purpose? Or are they bylaws from years ago, more appropriate to the past than the present?
3. Will sitting in on a board meeting give a sense of the board, of the organization, and of the issues currently being dealt with?
4. Are there reasonable limits upon how long board members and officers may serve or has the same group been running the show for years?

5. Do board members work together in reasonable harmony or is there excessive friction?
6. Do you want the potential board member to tour the facility and meet the executive director?
7. Is the executive director's performance evaluated by the board annually and is the process appropriate?
8. Is the board truly the governing body? Or is the executive committee a de facto board of directors with the rest of the board only meeting regularly?
9. What is expected of the board members in the way of financial support? Are they reasonable or are they unrealistic or even non-existent?
10. Are there a sufficient number of committees helping the board to do its work and is active committee service a requirement for all board members?
11. Does the organization make effective use of national and state association memberships in order to stay abreast of developments in its field of service?
12. What is the reputation of the board and the organization in the community--specifically among those in the community who are knowledgeable about such matters?

Ask questions about the board and the organization and answer them honestly and objectively. Will potential board members of the quality needed be encouraged to join or will they decline the invitation? Is it time to put the organization in order? Remember that capable people will rarely be attracted to serve on a board that prohibits or limits their involvement.

There are many methods that can be implemented to invite new members to the board. Face-to-face invitations serve the purpose best. A casual telephone conversation and inference that only a few meetings a year are required, will not be an effective means to develop future leadership, or board effectiveness. The goal is to recruit members to the board who will best serve the goals of the organization and make the board stronger than it currently is. When inviting a person to serve on the board, it is best to explain face-to-face why the choice is being made. Stating exactly which skills the prospective member have which are needed by the board relays the message that the board is one which takes its responsibilities seriously and that this invitation is not to be accepted or turned down lightly.

Along with the statement on why this individual has been chosen to serve on the board must go an honest statement of what is expected of the board members in the organization and an explanation of why it is important to the mission of the organization for board members to make such a commitment. Inviting a prospective candidate for board membership to attend a meeting to merely

look them over is not a good practice. However, if a prospective board member wants to attend a meeting prior to accepting the nomination, this should be encouraged.

Orientation of New Board Members

Unfortunately, many times orientation to a board for a new member happens like this, "WELCOME TO OUR BOARD! We're delighted to have you with us and if you will just sit right there and listen carefully for the next several months all will eventually become clear to you."

In light of the preceding information in this chapter and the concentrated efforts made to recruit people of skill, commitment and involvement, it is easy to see how a lack of orientation might undermine everything the board and nominating committee have worked for so diligently. Through orientation, new board members are ready to participate knowledgeably from the very beginning. Orientation does not take much time and the payoff is immeasurable. There is no excuse for a lack of orientation.

Prior to the annual meeting at which the new board members are elected, the following information should be collected and organized and given to each new member.

- Current statement of purpose, bylaws, and organizational chart
- Narrative dealing with the agency's history and services
- Financial reports -- budgets and actuals for recent and current years and the most recent audit
- Appropriate publications and regulations
- A list of duties and committee assignments for all board members
- A list of future meeting dates, times and places
- Appropriate and recent minutes for the board and board committees
- Board and staff rosters with addresses and telephone numbers
- Any other appropriate information

This orientation material should be given to the new board members at the annual meeting and they should be requested to read the material carefully in preparation for an orientation meeting, which may be scheduled prior to the next regular board meeting. The orientation meeting should be led by the president and include the involvement and support of other officers, especially the treasurer, and the executive director. The meeting should include the following areas:

- ❖ Review of materials distributed at the annual meeting with emphasis on the bylaws. As stated earlier, the bylaws provide the board with its power and authority; they are the rules that govern the agency. Every board member should be knowledgeable of the contents, especially regarding the organizational structure, the power and authority of the board, the power and authority of the committees and advisory councils, if applicable, the committee structure, conflict of interest, the meaning of a rotating board and grounds for termination.
- ❖ A review of the fundamental responsibilities of board members is needed. Board members have a right to know their responsibilities and should recognize the seriousness involved: legal, fiduciary, attendance requirements at board, committee, and national meetings, committee memberships and participation, and board membership insurance.
- ❖ A discussion of the relationship and the division of responsibilities between staff and board leadership is also recommended. Most management problems in agencies occur because the board, executive director and staff misunderstand their roles.
- ❖ A presentation by the executive director on the agency's work, current problems, future trends and major issues should be given.
- ❖ Other information that a new board member needs includes:
 - A review of the agency's financial profile.
 - A tour of the facilities and, if possible, some contact with constituency served by the organization.
 - Ample opportunity for questions.

Do not let your new board members flounder; they are a tremendous resource to be tapped. Provide them with all of the information necessary for them to be effective. The following is a list of additional examples of orientation materials and techniques.

- Take a tour of new housing built by the corporation.
- Take a look at substandard housing corporation hopes to replace.
- Provide a copy of the Articles of Incorporation and Bylaws.
- Provide either a written or verbal history of the corporation.
- Provide a list of board members with addresses and phone numbers.
- Have a training session on the type of housing being pursued, the program the corporation is applying for, and the steps involved in the housing development process.

- Provide a listing of previous accomplishments and future goals.
- Consider assigning an existing board member to be a mentor for the new member.
- Make introductions at several board meetings until everyone is comfortably familiar with each other.
- Have the new board member share about their background, experiences, and interest in the goals of the corporation.
- Provide a packet of other written information including minutes, management reports, and financial reports of the past several months.
- Provide a notebook to start a new board member off with space for minutes, Articles, Bylaws, management reports, financial reports, board list, etc.
- The board can help new board members become organized quickly.
- Do not overload the new board member with tasks. Allow him to become comfortable before placing immediate pressure or demands on the individual.

New Director Orientation Meeting Agenda

Call to Order, President
Introduction of all Present, President
Purpose of Meeting, President
Organization and Structure of Agency, President
Programs & Services Run By Agency, Executive Director
Sources of Income, Executive Director
Staffing, Executive Director
Current Problems Faced By Agency, Executive Director
Future Trends in the Field of Service, Executive Director
Function & Responsibilities of Directors, President
Committee Assignments, President
Financial Profile, Treasurer & Chairman of the Finance Committee
Review Of Goals and Objectives, President
Discussion and Questions, President
Tour of the Agency, President
Adjourn

Some organizations use the buddy system and assign a veteran board member to a new board member for a period of time to guide the new board member. Recruitment and orientation are geared toward the goal of getting qualified people interested and involved in the organization and getting them involved in board activities as quickly as possible.

Continuing Education

Continuing education cannot be overlooked at this point. A continuing education program is essential to maintaining good or potentially good board members. It may take many different forms, through distribution of publications, presentations by the Executive Director or an outside speaker at regular board meetings, and attendance at training conferences. If an organization is growing and

thriving, a board member cannot make an intelligent decision merely by attending board meetings. An education program should include, but not be limited to the following areas:

- Budgeting
- The planning process
- Existing programs
- New or contemplated programs
- Fund raising
- Structures (management and/or staff)
- Existing policies
- New policies
- Upcoming board action

Maintaining a continuing education program can be difficult, but it is important.

General Membership Recruitment

As discussed in an earlier chapter, members of the corporation are often an overlooked resource by community service organizations. A lack of awareness of this fact often makes recruiting members to the corporation a forgotten responsibility. A membership is supposed to be the community base of the organization. Inviting persons who are visible in the community to become members of the corporation creates a reservoir of influential community leaders. This reservoir can be tapped during fund raising, as well as when new board members are needed. The following list looks at the tasks and other benefits membership may bring.

1. Like stockholders, elects Board of Directors, helps set overall goals.
2. Comes together at least for an Annual Meeting.
3. Provides a broad base of resources and a wide political base.
4. Assists with local acceptance and credibility.
5. Provides a base to mobilize for surveys, hearings, etc.
6. Helps to hold the corporation publicly accountable.
7. Provides a pool of volunteers and committee workers for specific projects.
8. Provides future board members when vacancies occur.

Using the Board Candidate Recommendation card file system creates such a reservoir. Invite those people whose names have been submitted to become members of the corporation.

Effectively using the members of the Corporation also allows recruitment of those individuals who might be classified as the community's more influential citizens. Asking such individuals who have already extensive demands on their time to be members of the board, may lead to them being an inactive board member. In addition, because of the increasing legal liability implication of serving on a board, those individuals who would be merely adding their name to your board will likely turn down such requests if they cannot be actively involved. Being a member of the Corporation allows a very busy community leader to be of support to the organization without the needed involvement and time required to be a board member.

Recruiting general membership might also take the path of a broad base membership drive. Sources to tap within the community are:

- Civic Associations
- Service Organizations
- P.T.A.Groups
- Business and professional
- Religious groups and their affiliates
- Associations & auxiliaries
- Women's Clubs
- Associations of retired people
- Fraternal and social groups
- Labor unions

Recruiting techniques might include the following:

- Speakers and presentations at meetings of the above organizations
- Social functions of the organization (recruiting general membership at self-help open houses and ground breaking ceremonies)
- Publicity prior to annual meeting or during membership drive
- Direct mail
- Person-to-person

Motivating The Membership

If you can't do the following, you're not ready to motivate and develop leadership potential in others.

1. Make the best use of your membership.
2. Share with other members the kind of information that encourages their support.

3. Conduct open meetings where everyone feels important.
4. Instill respect and appreciation for all of your members.
5. Understand the reasons for member apathy and reluctance to become involved.
6. Recognize the real worth and potential contribution ALL members can make.
7. Ring doorbells, make telephone calls, and have eye-to-eye contact with members.
8. Plan activities that will make the members feel GOOD about their involvement with the corporation.
9. Listen and learn with and from others.
10. Clarify members' roles and responsibilities.

How To Use Your Members Most Effectively

The first thing to understand is that you don't need ALL of your members to bring about the desired changes. Too many groups wait around for at least 25% of the group membership to show up before taking any action, or cry when only 8 out of 40 members show up for a membership meeting. You do not need 100% involvement to be effective!!!

The people who belong to groups fall into two categories: WORKERS who perform the day-to-day functions, and SUPPORTERS who usually respond only in crisis situations.

The rule of thumb in organizing for change is that you need only 5 to 10 percent of your total membership as workers. If you can effectively motivate and inspire this number, you have the forces you need to turn the system around.

Knowing That Your Group Works

The best way to motivate people to work with and for a group is to see that the process of human interaction is a healthy one. Here are ten signs of group effectiveness:

- | | |
|---------------------------------|-------------------------------|
| 1. Well planned goals | 6. High morale |
| 2. Effective communication | 7. Evidence of innovation |
| 3. Use of potential group power | 8. Functional autonomy |
| 4. Accessing resources | 9. Prudent use of time |
| 5. Cohesion | 10. Effective problem-solving |

Federal Accounting Requirements & Agency Fiscal Controls

All nonprofit corporations that receive federal grants for administrative monies must meet appropriate Office of Management and Budget (OMB) requirements. It is recommended that all nonprofit housing corporations familiarize themselves with the appropriate OMB Circulars. There are two circulars that nonprofit corporations should be particularly knowledgeable about: OMB Circular A-110 and OMB Circular A-122.

OMB Circular A-110. "Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations -- Uniform Administrative Requirements." This circular provides standards for establishing consistency and uniformity among Federal agencies in the administration of grants and other agreements. In accordance with this circular, a nonprofit's financial management system must provide:

- Accurate, current, and complete disclosure of the financial results of each federally sponsored project or program.
- Records that adequately identify the source and use of funds for federally sponsored activities.
- Effective control over and accountability for all funds, property, and other assets.
- Adequate safeguards for all assets and assurance that they are used for authorized purposes.
- Comparison of actual outlays with budget amounts for each grant or other agreement.
- Procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement by the recipient, whenever funds are advanced by the federal government.
- Procedures for determining if costs are reasonable and allowable, and how they are distributed in accordance with applicable federal cost principles. Accounting records that are supported by source documentation.
- Examinations in the form of audits or internal audits, which are done by qualified individuals who are independent of those who authorize the

expenditures of federal funds, to produce unbiased opinions, conclusions, or judgments.

- A method to assure timely and appropriate resolution of audit findings and recommendations.

OMB Circular A-122. "Cost Principles for Nonprofit Organizations," establishes principles used by all federal agencies in determining the cost of work performed by nonprofit organizations under grants, cooperative agreements, cost reimbursement contracts, and other contracts in which costs are used in pricing, administration, or settlement. The principles are designed to provide that the federal government bears its fair share of costs except where restricted or prohibited by law. The circular does not prescribe the extent of cost sharing or matching on grants, contracts, or other agreements. However, it does define principles to be applied in establishing the allowability of certain cost items ranging from advertising costs to travel costs.

It is essential for those nonprofit corporations who receive federal grants to show that their financial management system meets the standards listed in these two OMB Circulars.

The accounting system is the set of tools that allows fiscal control to occur. An accounting system provides data upon which to base budgets; an accurate and detailed record of incoming money and in-kind contributions; continuous recording and control of expenditures; periodic comparison of income and expenditures with amounts budgeted (these should be broken down into the same categories as are in the budget.); and cost information for program evaluation.

The budget is the most important tool for planning and monitoring agency activity. A two-year grant budget is a financial road map that helps guide activity. In addition, comparison of income and expenditures to those projected in the budget flags deviations from the plan, alerting the board to take action if the deviation is or might become a problem.

The accounting system is only helpful when it is used. Careful review during the grant tells much about the agency's status. Financial reports are the tools used to measure the state of the budget and thus, much about the program itself.

Financial reports are both internal and external. The external report is the grant audit. There are internal reports as well. Which reports are prepared depends upon which type of bookkeeping system the agency uses. Probable reports are:

- Cash disbursement summary. The amount spent per budget category. Used in cash-basis accounting.
- Expense report summary. The same information as the cash disbursement summary, but including accrued expenses and reconciled. Used in accrual and modified cash or modified accrual systems.
- Cash flow and expenditure projections. How much the agency expects to spend, by budget category.
- Budget comparison. Expenses and income versus projections, shown together.
- Balance sheet. Shows the amount in each account as of the report date. Also shows whether the books are balanced by giving a "trial balance" which should indicate that assets equal liabilities.

The board must have financial reports in order to effectively monitor grant progress. They also need to understand how to use the information. All board members should be trained to use them. Additionally, the board can form a fiscal committee to review the fiscal reports and report to the board as a whole.

In addition to the reports, a complete set of records, or "books" must be kept by the agency. This is the duty of the secretary-bookkeeper. The agency audit will determine how sufficient the books are, and how well they are kept (up-to-date and accurate).

The agency must decide which type of books they will keep. A modified cash accounting system seems to offer the most accuracy and flexibility for the small non-profit. Under this system, unpaid bills and uncollected revenues are recorded only at the end of each fiscal year, just prior to closing the books. The help of a CPA is strongly recommended when selecting or modifying your bookkeeping system.

Audits

Nonprofits should have an audit done annually. To select a CPA firm to conduct the audit, the organization should prepare a request for proposals. Bidding firms should offer a comprehensive set of reports, extensive experience auditing nonprofits, and a reasonable fee and timeline. The request for proposal should be as specific as possible in describing what is wanted. Get assistance creating it if necessary. While the agency might be tempted to use the same auditor every time, you should go through the process of bidding it out. Also, get a professional opinion of the quality of the audit report.

The audit provides important third party confirmation of the organization's financial position, controls, problems, etc. So, it is crucial that the board be involved in the process and review the audit. Have the board's treasurer attend the exit interview with the auditors. Have the accounting firm explain the audit report and any findings to the board and responsible staff. Get suggestions on how to resolve any audit findings. The auditor should also be prepared to answer any questions from funding sources as well.

The board should amend or write any additional fiscal policies as necessary and assure internal controls and safeguarding of assets. When resolving audit findings, quick corrective action should be taken.

Fair Housing

Introduction

Fair housing is an extremely important issue that needs to be discussed when working with a self-help program. It affects every staff position within the program. Training in this area is crucial in treating the participants fairly and helping the self-help organization stay in compliance and out of trouble. The following chapter will describe some of the laws that govern fair housing, give some guidance in following the laws, 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 in order to avoid violating them. Knowing about the laws and their penalties can serve as a deterrent for those who might violate them and also fair housing education protects housing providers from violating laws simply because of a lack of knowledge.

The Fair Housing Act

The Fair Housing Act prohibits discrimination in housing because of:

- Race or 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)
- Handicap (Disability)

The Fair Housing Act covers most housing. (In some circumstances, the Act exempts owner-occupied buildings with no more than four units, single-family housing sold or rented without the use of a broker, and housing operated by 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 (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, 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 grantees' 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 (blockbusting) or
- 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 handicap (disability):

- Refuse to make a mortgage loan
- 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
- Refuse to purchase a loan or
- Set different terms or conditions for purchasing 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
- 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

Additional protection also exists on the basis of familial status. 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 how the law is implemented and how the laws work for them. Home seekers need to know when housing providers are discriminating against them and 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, providing housing in a way that allows all residents in the community to grow in understanding, spirit, and community.

Other Applicable Laws

The following civil rights laws and regulations apply to all grantees and households 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.rurdev.usda.gov/>

- Federal Fair Housing Act
- Title VI of the Civil Rights Act of 1964
- Section 504 of the Rehabilitation Act of 1973
- Age Discrimination Act of 1975
- Title II 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 (1901.201/2)
- Title VIII (additional protected classes: sex, religion, disability & familial status)
- Title VI nondiscrimination agreement (1901.202(d))
- Record keeping requirements: racial & ethnic data ((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 that is building five or more units and receives Federal Financial Assistance under one contracting authority, such as USDA, may be covered by several other nondiscrimination 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 Rural Development 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."

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. 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. Accurate information must be used. The racial makeup of the community where the project is located must be included in the project plan. The purpose of this is to determine which racial groups are least likely to apply for available housing. The marketing plan must then be designed to attract those "least likely" groups. The advertising is to cover the entire market area, but a special marketing effort must be directed to the racial group that is least likely to apply for housing. This special outreach effort must occur 90 days before the housing is available for sale or rent. Then a marketing program should be developed using media that will reach the entire market and media that will reach the designated "least likely" groups.

An authorized Rural Development official must sign the Plan “approved” or “disapproved.” The grantee would then modify the disapproved Plan and resubmit it 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, 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, physically fit. Nothing in this part restricts the inclusion of information about the availability of accessible housing in advertising of dwellings.

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

(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 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 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 carried out:

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 indicates suggested use of the logotype, statement, or slogan and size of logotype. Table II contains copies of the suggested Equal Housing Opportunity logotype, statement and slogan.

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.

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.

Notification of fair housing policy -- 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.

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 |
|-----------------------------|----------------------------|
| 1/2 page or larger | 2x2 |
| 1/8 page up to 1/2 page | 1x1 |
| 4 column inches to 1/8 page | 1/2 x 1/2 |
| 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 a size 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."

Display of Fair Housing Posters

Participants in Rural Development programs are required to display Equal Housing Opportunity Posters in English and 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 at the 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.

Participant Selection and the Membership Agreement

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

Two of the most important ways to ensure that you can prove that you are following all applicable fair housing laws are consistency and documentation. There needs to be written criteria which is consistently applied to all participants.

What about families with members having disabilities? A person with a disability cannot be denied the right to participate in the Mutual Self-Help Program. 7CFR Section 1944.401 sets forth requirements for grantees to comply with Rural Development regulation 7CFR part 1901 subpart E, “Civil Right’s Compliance Requirements” and other applicable nondiscrimination laws.

Rural Development personnel and grantees are to make reasonable accommodations in their policies and practices to enable persons with disabilities to receive the full benefit of the program. In accordance with 7 CFR Section 1944.403(k), the “Participating Family” definition reflects that participants who may not have the ability to furnish their share of the required labor may use a substitute to perform the required labor with prior approval of the grantee and State Director. When requesting the grantee and State Director approval, the participating family will provide appropriate documentation verifying their permanent or temporary disability, such as providing documentation of a health condition related to pregnancy or worker’s compensation benefits. Where it is necessary for a person with a disability to achieve equal benefits in the self-help program, a substitute family member or other persons so designated must contribute labor to complete the required 65 % of the assigned tasks.

At a minimum, the substitute laborer must:

- Be made aware of the commitment to work with each member in a participating group during the construction time period to accomplish the 65% of the total 100% of tasks listed in Exhibit B-2 of 1944-I.
- Sign the Membership Agreement and participate in all group meetings related to construction of the self-help homes.

Questions concerning this subject should be addressed to the State's Rural Housing Program Director and/or State Civil Rights Coordinator/Manager, as appropriate.

Is there ever a concern about a participant's ability to live independently? For families 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 participant cannot meet the terms of the membership agreement because a new disability may have occurred.)

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 (7CFR 15b.16) requires that assisted programs and activities be program accessible. Title II of the Americans with Disabilities Act requires the same as the USDA 504 regulations.

Recipients of Federal Financial Assistance are required to provide 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 a showing that to do so would create a fundamental program change or undue financial and administrative burden.

In both reward and punishment the participants should be treated equally. The best way to follow this rule is to adhere to the rules 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, follow 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 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, 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 thinks their rights have been violated, the Housing Discrimination Complaint Form is available for them to download (at www.hud.gov/hdiscrim.html), complete and return, or complete online and submit; or they may write HUD a letter, or telephone the HUD Office nearest them. They have one year after an alleged violation to file a complaint with HUD, but the complaint should be filed as soon as possible.

When filing a complaint, the complainant needs to tell 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 to the alleged violation (the event that caused the complainant to believe their rights were violated), the date(s) to the alleged violation.

HUD also provides a toll-free TTY phone for the hearing impaired: 1-800-927-9275, interpreters, tapes and Braille materials, and assistance in reading and completing forms. HUD will notify the complainant when their complaint is received. Normally HUD will also notify the alleged violator of the complaint and permit that person to submit an answer, investigate the complaint and determine whether there is reasonable cause to believe the Fair Housing Act has been violated, and notify you if it cannot complete an investigation within 100 days of receiving the complaint.

HUD will try to reach an agreement with the person the complaint is against (the respondent). A conciliation agreement must protect both you 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 is breached, HUD will recommend that the Attorney General file suit.

If HUD has determined that a State or local agency has the same fair housing powers as HUD, HUD will refer the complaint to that agency for investigation and notify the complainant of the referral. That agency must begin work on the complaint within 30 days or HUD may take it back.

If immediate help is needed to stop a serious problem that is being caused by a Fair Housing Act violation, HUD may be able to provide assistance as soon as a complaint is filed. HUD may authorize the Attorney General to go to court to seek temporary or preliminary relief, pending the outcome of a complaint, if:

- Irreparable harm is likely to occur without HUD's intervention

- There is substantial evidence that a violation of the Fair Housing Act occurred

Example: A builder agrees to sell a house but, after learning the buyer is black, fails to keep the agreement. The buyer files a complaint with HUD. HUD may authorize the Attorney General to go to court to prevent a sale to any other buyer until HUD investigates the complaint.

If, after investigating the complaint, HUD finds reasonable cause to believe that discrimination occurred, it will inform the complainant. The case will be heard in an administrative hearing within 120 days, unless the complainant or the respondent want the case to be heard in Federal district court. Either way, there is no cost to either party.

If the case goes to an administrative hearing, HUD attorneys will litigate the case on the complainant's behalf. The complainant may intervene in the case and be represented by their own attorney if they wish. An Administrative Law Judge (ALA) will consider evidence from the complainant and the respondent. If the ALA decides that discrimination occurred, the respondent can be ordered:

- To compensate for actual damages, including humiliation, pain and suffering.
- To provide injunctive or other equitable relief, for example, to make the housing available to the complainant.
- To pay the Federal Government a civil penalty to vindicate the public interest. The maximum penalties are \$10,000 for a first violation and \$50,000 for a third violation within seven years.
 - To pay reasonable attorney's fees and costs.

If the complainant or the respondent choose 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 ALA, the District Court can order relief, and award actual damages, attorney's fees and costs. In addition, the court can award punitive damages.

In addition, a complainant may file 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 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 you.

Additional Resources

Those responsible for housing activities should be aware that various fair housing training materials already exist. For example, HUD's Fair Housing Information Clearinghouse can provide brochures, videos, audio public service announcements, and posters produced and marketed throughout the country by the National Fair Housing Alliance (NFHA). Use of these materials can increase the grantee staff and the public's awareness of subtle discriminatory acts and provide the resources for dealing with such acts. HUD's Fair Housing Information Clearinghouse also publishes a catalog of its sizeable collection of fair housing materials produced under the HUD Community Housing Resource Board (CHRB) Program, Fair Housing Initiatives Program (FHIP) and the Fair Housing Assistance Program (FHAP) across the country. USDA, Rural Development national, state, and local offices can provide training and materials for your organization.

Self-Help Agency Activity

Rural Development is strongly emphasizing greater awareness of, and involvement with, the self-help housing program by the board of directors. It is, therefore, extremely important that board members have a thorough understanding of the TA grant, principles of self-help housing development, and Rural Development requirements.

Agency Eligibility

In order to be eligible to receive a 523 Self-Help Technical Assistance Grant the prospective grantee must be either a, (1944.403(j)) “(1) State political subdivision or a public nonprofit 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.” If the organization is a private nonprofit, there are additional requirements that Rural Development has. The corporation must be organized under state and local laws, qualified under Section 501(c)(3) of the Internal Revenue Code of 1986, have “the production of affordable housing” as one of its purposes, and have a Board of Directors which consists of not less than five members.

Rural Development Section 523 Technical Assistance Grant

Rural Development regulations specify that grant funds “finance programs of technical and supervisory assistance for self-help housing, as authorized under Section 523 of the Housing Act of 1949....This financial assistance may pay part or all of the cost of developing, administering, or coordinating programs of technical and supervisory assistance to aid needy very low and low income households in carrying out mutual self-help housing efforts in rural areas.” Each TA grant is usually for a period of up to two years, and is available to public and private nonprofit organizations and units of state or local government.

Activities that are allowable uses of Section 523 Technical Assistance grant funds include:

- Recruiting 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;
- Assisting participants obtain and develop building sites; obtaining or creating Rural Development approved house plans and helping participants select theirs;
- Helping participants bid and select building supplies and subcontractors; train participants in construction techniques and provide construction supervision;
- Supervise 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 include:

- The use of any TA funds to pay staff to provide labor on the houses;
- Purchasing any real estate or building materials for participants;
- Paying any debts, expenses or costs which should be the responsibility of the participants;
- Any lobbying activities as prohibited in OMB Circular A-122.

Rural Development Section 502 Mortgages

Section 502 loans are only available to people living in rural areas. "Rural" is defined as towns with populations of 10,000 or fewer, and designated cities with populations between 10,000 and 20,000 in counties that are not Standard Metropolitan Statistical Areas (SMSA).

In order to qualify for a 502 loan, prospective self-help builders must meet Rural Development income eligibility requirements as low-income or very low-income. They must be credit worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources. The low-income measure is 80% or less of the county median income, based on family size. Very low-income is defined as 50% or less of the county median income, based on family size. These income standards,

established by HUD, are subject to local variation and periodic change. Current information on income standards and eligibility requirements for Section 502 loans is available at Rural Development local offices.

The repayment period for the 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 assistance makes up the difference between the full loan rate and the rate the borrower pays.

Section 502 funds are advanced from the Rural Development finance office in St. Louis and deposited into a local supervised checking account in the borrower's name (co-signed by the Rural Development Community Development Manager). TA grantees prepare the drawdowns and checks for each participant's account as needed to purchase materials for different phases of construction. Note that the borrower's loan payments are deferred during construction.

When all the money is withdrawn from a borrower's account, Rural Development's finance office sends payment books to the borrower. Their first loan payment is due within thirty days of termination of deferred payments. Payments then go directly to Rural Development's Centralized Servicing Center (CSC) in St. Louis.

The Self-Help Process

Qualified owner-builders must be located, certified as borrowers, and trained as homeowners and builders. This is a coordinated effort between the grantee and the Rural Development Community Development Manager.

To locate potential builders, the grantee may need to:

- Advertise;
- Get local media coverage of the program;
- Speak at private, public, and civic groups;
- Get lists of potential builders from Rural Development waiting lists, housing authorities, social service clients, etc.;
- Contact area employers and schools;

- Work with area banks, realtors, planning councils, etc.

Once located, prospective builders must be screened to "weed out" those who do not qualify or are not truly interested in the program (or are unable to do the work). Keep in mind, though, that everyone has the right to submit a loan application, whether they appear to qualify or not. Good communication between the grantee and the local office is a must.

The reasons that an applicant may not qualify include:

- Making too much money (more than the maximum set by Rural Development for your county);
- Having too much net worth (savings or property);
- Either making too little or having too many debts to make payments (repayment ability);
- Having a history of poor credit (excessive late payments or judgments);
- Unable to contribute enough time to construction;
- Physically unable to do the construction (handicapped persons may be able to get others, such as family members, to provide the construction hours with prior approval from the State Director);
- No demonstration of job stability.

The grantee is responsible for finding the construction site for each group of builders. Criteria to keep in mind are:

- Within Rural Development eligible territory;
- Lots should be as close together as possible;
- Services (sewer, storm drains, streets, sidewalks, curbs, curb cuts, water, electrical, phone) should be in the subdivision already, unless the grantee is the developer. In that case, land cost must be low enough to accommodate bringing services in;
- For on-site systems, septic or wells, all testing, certification, and licensing should happen before sale;
- Lot sizes must meet Rural Development and local standards;
- Soil and drainage must be appropriate for building.
- The house plans and materials lists for the self-help group must be pre-approved by Rural Development. State and local codes must be met as well. Plans may be existing ones, or drawn up new as appropriate to the grantee's situation.

The packaging of participant loan applications occurs during the phase of self-help known as "pre-construction." After an initial determination of both participant interest and eligibility in the program, the formal application process begins. An application and appropriate verifications are obtained. The participant has a meeting with the Rural Development Community Development

Manager, who also determines suitability for the program, verifies employment, and runs a formal credit check.

When a participant makes it through the process this far, the grantee prepares a complete Section 502 loan docket. This is submitted, individually or in groups, to the Community Development Manager for final approval and loan closing.

The rest of the pre-construction activity should be proceeding at a pace that assures construction can begin when enough builders for the group have closed their 502 loans.

Working with the participants goes a long way towards ensuring success during the building process. Rural Development suggests a total of 8-10 pre-construction meetings to cover all of the topics. The responsibility for these meetings is the grantee's, although the Community Development Manager may be invited to attend or present some of the information. More information on these meetings can be found in the "Preconstruction Meetings Guide." Meeting topics include:

- Self-help overview -- explaining the philosophy and principles of the program;
- Organizational structure -- where the self-help group chooses officers and committees, and makes decisions regarding division of tasks and responsibilities.
- The membership agreement -- a contract signed by each participant guaranteeing their contribution of the required amount of hours, and cooperation with the grantee and the other builders;
- Site planning and building codes, home planning, plans and specifications, and cost of materials;
- Taxes, insurance, mortgage requirements, household budgets; and home maintenance;
- Use of tools required on the job site -- including the tools the participants must each supply as well as the ones owned by the grantee; construction and work procedures; and ground-breaking -- a chance to have a social gathering during loan-closing as well as an opportunity to get some press coverage for the project.

The actual construction can be expected to take eight to twelve months (averaging 1½ months per house in the group). In most cases, participants will each contribute a minimum of 30 hours per week.

The concept of mutual self-help means that everyone works on every house, not just their own. There is a tendency, however, to work harder on one's own house, especially after it is framed and

roofed. It is up to both the construction supervisor and the group as a whole to enforce the construction agreement, ensuring that all houses receive the same attention.

Construction materials and subcontractors are usually purchased and contracted in lots for the entire group -- creating large savings for the participants. The bidding and selection process is vital to seeing that both the savings and quality are realized. The tasks that are subcontracted vary between programs -- no two are alike. The most important thing is that the participants provide 65% or more of the construction labor. The percentages are broken down by Rural Development and must be followed.

In choosing tasks that the self-help group will do, consideration must first be given to jobs that must legally be done by a licensed contractor (this varies from state-to-state). Then, which tasks are too difficult to learn? Which can be done more inexpensively by contractors? Which can be done without stopping the participants from working on some other part of the houses at the same time? A balance must be found that maintains the cost savings, finishes the houses rapidly, and still yields the 65%+ labor contribution by the participants.

Construction suffers inevitable delays due to weather, suppliers and subcontractors, inspections, technical problems, and participant burn-out. It is important that weekly meetings continue throughout construction to communicate progress, difficulties, and complaints. Every opportunity should be given the participants to identify and solve their own problems. However, communication and cooperation between the grantee and the local Rural Development office is essential to keeping the self-help process under control. As the lender, Rural Development feels an understandable obligation to protect their investment. Thus communication goes a long way to maintaining the degree of trust necessary in a working program.

Inspections of the houses occur several times during construction. These inspections will be done by Rural Development, as well as county and/or city staff. These inspections are to ensure that construction is following plans and specifications, is safe and meets all applicable codes. The construction supervisor requests and coordinates the inspections to minimize construction delays.

The day will finally arrive when the houses are complete and ready for final inspection. Before the participants may move in, the Community Development Manager must inspect and pass each house. The last few details and changes will seem excruciating to the participants who may have by now been in the self-help process for at least a year. When all is ready, some sort of move-in ceremony is another good media opportunity for the grantee to publicize the program.

Word-of-mouth from the participants can also be another very important source of future applicants.

Agency Staff

The self-help agency typically has the following employees that are recommended by Rural Development. There may be more than one construction supervisor and a construction director, depending upon the amount of construction activity. The office positions are occasionally part-time, where activity is limited.

Executive (or Project) Director: The director has the responsibility of running the self-help program. The director is also the board's contact with the agency -- both in reporting activity and progress, and implementing the board's policies. The board hires and supervises the director, who, in turn, hires and supervises the other self-help staff.

Construction Supervisor: The construction supervisor guides the participant builders on the job site. This requires a good deal of training in construction theory and technique, as well as actual supervision and assistance. The construction supervisor must not perform actual labor on the houses. This is not an allowable use of the TA funds that pay his salary.

The construction supervisor is also partly or wholly responsible for obtaining supply and subcontractor bids; assisting participants in selecting suppliers; and ordering, receiving, and inventorying materials, as well as coordinating subcontractors.

Because the construction supervisor is in constant contact with the participants for the many months of construction, it is very important that he have the ability to work well with a diverse group. Group interaction skills are as important as good construction skills to a successful self-help program.

Loan Packager/Group Coordinator: The loan packager/group coordinator is the employee who works most closely with the participants up until construction. This position typically does most of the participant recruiting. Other duties include screening applicants for interest and eligibility in the program; holding the orientation and preconstruction meetings; filling out the Rural Development loan applications, and coordinating them with the Community Development Manager.

Secretary/Bookkeeper: The secretary/bookkeeper has three major roles in the self-help agency. First are the secretarial duties typical of any small, independent office. Second is the responsibility for handling the Section 523 technical assistance grant funds -- the bill paying and books, ledgers and journals. Third is the handling of the participant loan accounts. This includes paying suppliers and

subcontractors. This third function is done in close coordination with the Rural Development local office.

Community Outreach

The most successful grantees are invariably those who are well known and respected in their communities. Establishing and maintaining a good, high-visibility reputation is difficult, to say the least. The board should be continually involved in promoting the self-help program throughout the program's region.

Letting the right people know about the self-help program is often the most difficult task for an agency. A steady supply of new recruits, and a lengthy **up-to-date** list of pre-screened applicants go a long way to both helping the agency operate smoothly and efficiently. It also documents housing need when it is grant renewal time.

The board of directors can help. As a group and individually, the board should spread the word about the program. They should speak to local organizations. As community leaders, the board can lend credibility to the promotion of self-help housing that can be hard for agency staff and Rural Development to achieve.

The board should determine whom the area employers are that pay wages in the range of eligibility for self-help. These employers may be open to sharing information about self-help housing with their workers. Again, the board may have an easier time opening these doors than the staff.

Of course, recruitment is not the only goal of agency PR efforts. Any nonprofit must have the support of the community if it is to thrive. The support of local banks, developers, suppliers, and the other businesses the agency deals with can help pull in support from the rest of the community. When it comes time for fund raising or support letters for grant renewal, backing from the community is vital.

One more important goal for the board is political support. Although grantee staff may not engage in lobbying, the board can. Support, especially from the local congressional delegation, can be of tremendous help. Letting Senators and Congressmen know about the local benefits of the self-help program pays off if their help is ever needed. State and local politicians can assist in land matters, and other funding requests, such as Community Development Block grants.

While the staff must also pursue these political contacts, any appearance of lobbying to affect legislation must be avoided. The board should take the lead here.

Fiscal Responsibility

The board is responsible for overseeing and controlling the self-help TA grant. Day-to-day control is delegated to the executive director. To control the grant, the board must receive complete fiscal reporting and be able to interpret those reports. Rural Development must also approve grant expenditures. With two different bodies sharing control of the funds, it is inevitable that disagreements will arise about some activities and expenditures. These problems must not be allowed to get in the way of running the program. In addition, a source of non-restricted, non-grant funds helps avoid control clashes, allowing activities and expenditures restricted by the grant.

Rural Development Instruction 1944-I specifies what reporting forms are required for grantees to summarize expenditures made and to request advances of funds. The financial report forms self-help housing grantees are required to complete for Rural Development are:

- a) Request for Advance or Reimbursement, Form SF-270 (Attachment 17). This form is usually completed monthly and submitted to the Rural Development Manager in original and two copies. The form is used to notify Rural Development of the amount of grant funds used during the previous month, the amount of unspent funds on hand, and the projected need to cover expenses for the next month. Written justification should be forwarded with the request if the amount of the request exceeds the projected need for the next 30 days. The form must be in the Rural Development Manager's office fifteen days prior to the beginning of the month. If the request is in order, Rural Development will endeavor to have your advance check delivered on the first of the next month. This form is normally the only report of grant expenditures that Rural Development will require during the grant period.

- b) Financial Status Report (short form), SF-269a (Attachment 18). At grant closeout, the grantee must furnish this form to Rural Development within 90 days after the date of completion of the grant. This form shows the total expenditures and unliquidated obligations for the grant period and assists Rural Development in allowing an orderly discontinuance of grant activity.

- c) Monthly Fiscal Report (Attachment 19). Self-Help grantees are encouraged to use some kind of tool to determine the financial status of their grant program on a monthly basis. A

monthly comparison of actual disbursements with budgeted disbursements by budget category will allow grantees to quickly see where budget or management changes need to be made, if any. During quarterly review meetings, Rural Development will often ask to review the latest monthly fiscal report. Suggest this report also be presented to the Board of Directors on a regular basis. Because the board is the ultimate authority in your organization, it must be well informed so that it can make wise policy and effective decisions.

The first consideration in establishing the self-help budget is that it meets Rural Development requirements. Careful review of Rural Development regulations as well as contact with the area and state offices are necessary to learn Rural Development concerns. These include allowed and disallowed costs and activities, and acceptable ranges for expenses such as salaries, overhead and equipment. Rural Development reserves approval rights as part of the grant process.

After Rural Development conditions are met, the budget should reflect, as much as possible, the actual expenses of doing business. It should be detailed enough to reveal where money is really spent. (Vague categories can hide important information.) Then, when the expense summary shows that an item is over or under budget, adjustments can be made that keep total expenditures in line. Or perhaps an error will be revealed.

Each technical assistance grant must have a closeout audit. This is required by Rural Development, and is an acceptable expense to the grant. (A large agency running more than just self-help may have an annual audit.) The audit report must go to Rural Development, and any audit findings must be corrected.

Agency Interaction with Rural Development

It cannot be stressed too much that good communication and relations between Rural Development and the grantee are vital to a successful program. This is not a relationship that benefits from surprises.

What Rural Development Expects from the Grantee

The grantee's performance is measured mainly by building the amount of houses that was agreed upon in the agreed upon timeframe and within budget for the agency and the borrower loans. Another factor that is important is the degree of savings to the government on the houses that are built.

However, there are other important criteria as well. Successful management and good relations with Rural Development are also expected. These subjective measures of success, for many grantees, are the most difficult to achieve. Maintaining adequate and accurate financial records, operating within Rural Development regulations, maintaining a good level of recruiting and building activity, screening applicants well, and again, communication with Rural Development are all program components Rural Development wants to see.

What the Grantee Expects from Rural Development

The grantee can expect to receive on-going assistance throughout their program from Rural Development. In addition to support from the four levels of Rural Development, the grantee can turn to the regional technical assistance organizations Rural Development hires to help run the program. These groups are listed in the Introduction of this guide. Please contact the one appropriate for your area. The majority of assistance is help with agency and program management. In addition, Rural Development requires these T.A. providers to assist in monitoring program success, and to intervene where problems occur.

Board Communication and Interaction with Rural Development

One area where communication is often missing is between the board of directors and Rural Development. When this condition exists, the board becomes involved only when there is a problem. In some cases, this intervention has come too late to save the agency from losing the grant. More attention by the board may have saved many of these programs.

- **Board meetings:** Regular, well-attended board meetings are a must. The members must use these meetings well by finding out how the program is doing, and setting and implementing policy. Meeting, by itself, is not enough. Rural Development participation at board meetings should be encouraged. Community Development Managers and Rural Development Managers should be included when their input will be helpful. The courtesy of an invitation will be appreciated.
- **Quarterly Review Meetings:** At the end of each quarter, the grantee and Rural Development meet to review performance of the self-help program. Grantee staff and Rural Development local and area representatives attend this meeting. The board should also be represented. A good idea is to make attendance of the quarterly review

meeting a revolving assignment among board members to ensure they all get the experience. The board president should try to attend all quarterly meetings, if possible, for consistent representation and reporting back to the whole board.

- Additional contact: Board members should get to know the Rural Development staff that regularly deal with their agency. There will be management matters from time-to-time that require direct communication between the board and Rural Development. They should feel free to contact one another anytime. Rural Development should also be invited to special events such as groundbreaking ceremonies.

Conflict of Interest & Nepotism

Rural Development does have an official policy on conflict of interest and nepotism as they relate to the board. These can be found in Instruction 1944-I, Exhibit A, the Self-Help Technical Assistance Grant Agreement (p) & (q).

They are as follows:

“(p) Grantee shall not hire or permit to be hired any person in a staff position or as a participant if that person or a member of that person's immediate household is employed in an administrative capacity by the organization, unless waived by the State Director. (For the purpose of this section, the term 'household' means all persons sharing the same dwelling, whether related or not).”

“(q) Grantee's board members or employees shall not directly or indirectly participate, for financial gain, in any transactions involving the organization or the participating families. This includes activities such as selling real estate, building material, supplies, and services.”

Board of Director's Annual Self-Evaluation of the Program

Annually or more often, the board of directors is required to conduct a self-help program evaluation. It is also recommended that they review their personnel policy, any audits that may have been conducted and other reports to determine if they need to make adjustments in order to prevent fraud and abuse, and meet the goals in the current grant agreement.

A formal evaluation involves establishing a set of questions and identifying the measurements needed to answer them. Rural Development has provided one set of evaluation questions for that

purpose, 1944-I, Exhibit E. This is not required, the board can make up their own if they prefer, but they must state the questions the evaluation will answer. It is also recommended that the board reviews the Personnel Policies, any audits that may have been conducted, and other reports, to determine if they need to make adjustments in order to prevent fraud and abuse, and meet the goals in the current grant agreement. (Instruction 1944-I, section 1944.427)

This evaluation is to be carried out by the board of directors, not by the program staff. The board may contract the evaluation work, or may designate board members to perform it.

In Rural Development Instruction 1944-I Self-Help Technical Assistance Grants Regulations, Rural Development provides Exhibit E that follows, as guidance for recipients of Self-Help Technical Assistance grants. The comments below have been provided to Rural Development to correct errors or inconsistencies in the exhibit. Grantees should be aware of these errors or inconsistencies if they use this as their form of assessment.

- C.6. “Are checks from grant funds signed by the Board Treasurer and Executive Director?” We suggest that the wording be changed to: “Are checks from grant funds signed by two authorized signatories?” As long as the board authorizes the approved signatories, there is no reason why the Board Treasurer and Executive Director must sign every check.
- C.7. “Are grant funds deposited in an interest bearing account?” The answer to the question should be “yes” on the Answer Key.
- D.2. “Has the grant recipient engaged a Certified Public Accountant...(Annually is preferable, but every two years and at the end of the grant period are requirements)?” This is inconsistent with section 1944.422, which states: “The grantee must submit an audit to the appropriate Rural Development District Office annually.”

There is a copy of Exhibit E in the Appendix (Attachment 20) and also there is another list of sample questions that could also be used for the assessment (Attachment 21).

CHDO Boards

What is a CHDO?

A Community Housing Development Organization (CHDO) is defined as a nonprofit organization that meets a specific definition in order to utilize a special set aside of HUD's HOME funds for developing housing. The specific definition includes:

- Is organized under State or local laws
- Has no part of its earnings benefit any member, founder, contributor, or individual
- Has a tax exemption ruling from IRS under 501 (c) of the Internal Revenue Code of 1986
- Has among its purposes, the provision of decent housing that is affordable to low- and moderate-income people
- Conforms to the financial accountability standards regulated by the Federal Government
- Has a demonstrated ability to carry out activities assisted with HOME funds
- Has a minimum of one-year history of serving the community where housing financed by HUD's HOME funds will be located
- Has at least one-third of its board membership who are low-income, or are residents of low income neighborhoods, or are elected as representatives of low-income neighborhood organizations

How to Become a CHDO

In order to become a CHDO, a nonprofit must file an application (questionnaire) with one or more of the Participating Jurisdictions (PJs). A nonprofit can do this directly or with the assistance of an intermediary. The PJ will then approve or disapprove the application or request more information from the nonprofit. If approved, the nonprofit is designated as a CHDO.

Once an Organization Becomes a CHDO

When a nonprofit group receives a designation of CHDO from a Participating Jurisdiction (PJ), they will be advised by the PJ that technical assistance is available from an intermediary. If the nonprofit group desires to receive technical assistance, they should contact that intermediary.

What is the HOME Program?

HOME was created by the National Affordable Housing Act of 1990. Administered by Hud, it is a federally funded, large-scale grant program for housing. Funds are allocated to "Participating Jurisdictions" (PJs), the state and local governments who receive funding to operate the program.

The intent of the HOME program is to:

- Expand the supply of decent, safe, sanitary, and affordable housing, primarily rental housing.
- Strengthen abilities of state and local governments, to provide housing.
- Assure that Federal housing services, financing,, and other investments are provided to state and local governments in a coordinated, supportive fashion.
- Expand the capacity of nonprofit community-based housing development organizations (CHDOs).

HOME is designed as a partnership among the federal government (HUD), state and local governments, and those in the for-profit and nonprofit sections who build, own, manage, finance, and support low income housing initiatives. HOME regulations provide the policy framework for HOME and the federal government provides most of the funding. PJs can add their own resources to the federal funds appropriated for HOME.

Participating Jurisdictions design programs that meet their needs and monitor rents and occupancy to assure funds benefit low-income households. HOME not only allows, but MANDATES partnerships with nonprofit developers, sponsors, and owners. HUD provides for contracts with "Intermediaries", to provide assistance to nonprofit groups in becoming designated as a Community Based Housing Development Organization "CHDO"; these intermediaries also provide technical assistance and training to designated CHDOS.

CHDOs must have a goal of accessing the CHDO nonprofit set aside funds available through HUD's HOME program in order to receive this assistance.

The Benefits of Becoming a CHDO

Benefit #1: Operating Grants (Not all PJs provide direct operating grants.)

Participating Jurisdictions (PJs) may utilize up to 5% of their HOME allocation for operating grants to approved CHDOS. Check with your local state PJ to find out if this is available. Some Grant uses:

- Hire staff
- Current payroll, benefits, & payroll taxes
- Rent, utilities, telephone
- Supplies, copying, postage costs
- Travel, training, subscriptions, fees
- Bookkeeping, audits
- Insurance, etc.

Benefit #2: Affordable Housing Financing

HUD mandates that each PJ allocate at least 15% of their HOME allocation to designated CHDOs each year. As an approved CHDO, a nonprofit is eligible to develop a HOME financed project. Since there is set aside money, the probability of receiving HOME funding for a housing project is increased.

Benefit #3: Free Technical Assistance

HUD has contracted with Intermediaries to provide technical assistance and training to CHDOS. The following are some of the ways that they can assist nonprofits:

- Provision of HOME information, allocations, eligibility, etc.
- Assistance with the process of becoming a CHDO
- Help with organizational documents, wording of Articles, By-laws, and Resolutions
- Help with board reorganization, structure, and training
- Organizational strategic planning
- Development of personnel & accounting procedures, policies, and manuals
- Assistance with HOME project developments
- Assisting with market analysis
- Site review and analysis

- Preparation & review of operating budgets
- Assistance with pre-development loan applications
- Organizing the development team
- Coordination & review of financial packages
- Review of management proposals

Appendix

Source Of Board's Authority

A. Legal Source Of Authority

1. State Statute entitled the “Corporations Not for Profit”.
2. Powers granted to corporations under other laws of the State.
3. Regulations of funders.
4. Specific authorities vested by specific contracts.

B. Governing Authority

1. Board of Directors
 - a. The governing body of the project.
 - b. Source of all project authority.
 - c. Principal policy making unit.
 - d. Responsible for establishing goals, setting objectives, and issuing and amending policy statements.
2. As a Legal Body
 - a. Authority of board results from properly conducted and recorded concerns and actions.
 - b. Legal responsibilities under its Charter, Bylaws, and its contractual relationships with funders.
3. The authority of Directors must be exercised as a body, not individually.
4. No individual board member has any authority independent of the board as a whole, unless designated by the board.

C. Delegation Of Administrative Authority

1. President of the Board
 - a. Presides at Directors' meetings.
 - b. Supervises all of the business and affairs of the corporation, and in many cases, signs checks, contracts, etc., on behalf of the corporation.
2. Vice-President of the Board

- a. Authorized to perform President's duties in the absence of the President.
- 3. Secretary
 - a. Authorized to:
 - i. Keep minutes of the board;
 - ii. See that meeting notices are properly dispersed;
 - iii. Be custodian of all records of the board and seal of the corporation; and
 - iv. Maintain an accurate register of all addresses of the board members.
- 4. Treasurer
 - a. Authorized to:
 - i. Have charge of, and be responsible for, all funds of the corporation in banks authorized by the board; and
 - ii. Sign checks as authorized by the board.
- 5. Executive Director
 - a. Authorized to:
 - i. Administer project within established framework of project, federal, and state policies; and
 - ii. Implement the policies and procedures approved by the board.
- 6. Staff
 - a. Staff is not delegated authority by the board.
 - b. Staff authority results from proper delegation by the Executive Director.

Legal Checklist

1. Does your board have:
 - Up-to-date bylaws?
 - Written policies of the organization as determined by the board of directors?
 - A list of all sources of funding?
 - Written personnel policies and procedures of the organization?

2. Are contracts made by your organization in order and up-to-date?
 - With funding providers or purchasers of your services?
 - Are the stipulations of each grant/loan being fully complied with in areas of administration, program, disbursements, and reporting?
 - With your landlord (lease or real estate contract)?
 - With individual staff members?
 - With participants?

3. Are the finances of your organization in order?
 - Are the records kept in an orderly fashion?
 - Are taxes paid?
 - Are IRS form(s) filed?
 - Are there any outstanding bills?

4. Is your insurance adequate and in force?
 - Do you have permanent all risk insurance on your buildings or other facilities that you own?
 - Do you have liability insurance for the corporation?
 - Do you have a fidelity bond in an amount acceptable to Rural Development requirements to cover those handling the corporation's money?
 - Do you have adequate insurance for your staff and board?

5. Do the board members individually understand:
 - the legal responsibilities of the corporation's board?
 - the incorporation papers of the corporation?
 - the program activities of the organization and whether they are within the legal scope of the corporation's purposes?

6. If an annual audit has been prepared by a competent CPA:
 - Has it been fully and accurately reported to the board?
 - Has it been accepted by a vote of the board?
 - Is it available to any member of the organization?
 - Is it available to any citizen of the community?

7. If there is a staff, are benefits in force for ALL eligible staff members?
 - FICA
 - Medicare
 - Workmen's Compensation
 - Unemployment Insurance
 - Medical/health insurance (if so desired)

"Handbook of Legal Liabilities For Non-Profit Executives;" Robert J. Debnam, CPA; Watson, Rice
Co., Inc.

Organizational History

From Inception with 5 Year Increments

| | Inception | 5 Years | 10 Years | 15 Years | 20 Years |
|---------------------------------|------------------|----------------|-----------------|-----------------|-----------------|
| Staff Size | | | | | |
| Program/Services Offered | | | | | |
| Operating Budget | | | | | |
| Funding Sources | | | | | |
| Leadership | | | | | |
| Accomplishments | | | | | |

Time and Attendance Record

| | DATE | DATE | DATE | DATE | DATE | DATE | DATE | WEEKLY | DATE | DATE | DATE | DATE | DATE | DATE | DATE | WEEKLY |
|------------------------|--------|--------|---------|--------|---------|--------|---------|--------|--------|--------|---------|--------|---------|--------|---------|--------|
| DAY | SUNDAY | MONDAY | TUESDAY | WEDNES | THURSDA | FRIDAY | SATURDA | TOTAL | SUNDAY | MONDAY | TUREDAY | WEDNES | THURSDA | FRIDAY | SATURDA | TOTAL |
| DATE | | | | | | | | HOURS | | | | | | | | HOURS |
| START TIME | | | | | | | | | | | | | | | | |
| 7:00 -7:30 | | | | | | | | | | | | | | | | |
| 7:30- 8:00 | | | | | | | | | | | | | | | | |
| 8:00- 8:30 | | | | | | | | | | | | | | | | |
| 8:30- 9:00 | | | | | | | | | | | | | | | | |
| 9:00- 9:30 | | | | | | | | | | | | | | | | |
| 9:30- 10:00 | | | | | | | | | | | | | | | | |
| 10:00- 10:30 | | | | | | | | | | | | | | | | |
| 10:30- 11:00 | | | | | | | | | | | | | | | | |
| 11:00- 11:30 | | | | | | | | | | | | | | | | |
| 11:30- 12:00 | | | | | | | | | | | | | | | | |
| 12:00- 12:30 | | | | | | | | | | | | | | | | |
| 12:30- 1:00 | | | | | | | | | | | | | | | | |
| 1:00- 1:30 | | | | | | | | | | | | | | | | |
| 1:30- 2:00 | | | | | | | | | | | | | | | | |
| 2:00- 2:30 | | | | | | | | | | | | | | | | |
| 2:30- 3:00 | | | | | | | | | | | | | | | | |
| 3:00- 3:30 | | | | | | | | | | | | | | | | |
| 3:30- 4:00 | | | | | | | | | | | | | | | | |
| 4:00- 4:30 | | | | | | | | | | | | | | | | |
| 4:30- 5:00 | | | | | | | | | | | | | | | | |
| 5:00 -5:30 | | | | | | | | | | | | | | | | |
| 5:30 -6:00 | | | | | | | | | | | | | | | | |
| END TIME | | | | | | | | | | | | | | | | |
| TOTAL DAILY HRS | | | | | | | | | | | | | | | | |

Period Tot

NOTE:

Leave Record

ADMINISTRATIVE USE - LEAVE RECORD

COMP TIME EARNED

| | ANNUAL LEAVE TOTAL | SICK LEAVE TOTAL | ID | SH | DOL | FW | RDHI | HC | CSBG | HUD | CONS | TOTA |
|-------------------|--------------------------|------------------------|----|----|-----|----|------|----|------|-----|------|------|
| BEGINNING BALANCE | | | | | | | | | | | | |
| LEAVE EARNED | | | | | | | | | | | | |
| CURRENT TOTAL | | | | | | | | | | | | |
| LEAVE USED | | | | | | | | | | | | |
| ENDING BALANCES | | | | | | | | | | | | |

APPROVED FOR PAYMENT

SUPERVISOR: _____ DATE: _____

EXECUTIVE DIRECTOR: _____ DATE: _____

Attachment 7

Authorization for Travel and Advance Request Form

Name of Traveler _____ Date _____

Funding Source _____

Destination _____

Purpose of Trip _____

Date & Time
of Departure _____

Date & Time
Return _____

A travel advance for this trip is necessary? Yes No

Date check is needed (after 12 p.m.): _____

1. Per Diem:
Number of days _____ X _____ \$ _____

2. Mileage _____

3. Taxi (approximate amount) _____

4. Parking, tolls, etc. _____

5. Other (explain) _____

Total Amount \$ _____

Amount Approved (80%) \$ _____

I REQUEST AUTHORIZATION FOR THE PROPOSED TRAVEL OUTLINED ABOVE.

SIGNATURE OF TRAVELER _____

DATE: _____

APPROVED BY _____

DATE: _____

Note: Submit your request as soon as agenda/arrangements are known.

Estimated Travel Expenses

Name of Traveler _____ Date _____

Funding Source _____

Destination _____

Purpose of Trip _____

Date & Time of Departure _____

Date & Time Return _____

| <u>DATE</u> | <u>EXPENSES</u> | <u>AMOUNT</u> | <u>HOW PAID</u> |
|-------------|----------------------------|---------------|-----------------|
| | Per Diem Per Traveler | | |
| | 1) _____ | _____ | _____ |
| | 2) _____ | _____ | _____ |
| | 3) _____ | _____ | _____ |
| | 4) _____ | _____ | _____ |
| | Air Fare | | |
| | _____ Travelers x \$ _____ | _____ | _____ |
| | Rental Car | _____ | _____ |
| | Hotel | | |
| | 1) _____ | _____ | _____ |
| | 2) _____ | _____ | _____ |
| | Limo/Mileage | _____ | _____ |
| | Registration Fees | _____ | _____ |
| | Parking | _____ | _____ |
| | Other _____ | _____ | _____ |
| | TOTAL | _____ | _____ |

PREPARED BY

DATE

APPROVED BY

DATE

Trip Report Form

Name of Traveler _____ Date _____

Funding Source _____

Destination _____

Lodging Arrangements _____

Method of Travel _____

Purpose of Trip _____

Date & Time
of Departure _____

Date & Time
Return _____

Narrative of Activities, Accomplishments, and Required Follow-Up:

Use 2nd page if more space is needed and attach appropriate agendas.

Submitted by _____ Date ____/____/____

Approved by _____ Date ____/____/____

Request for Leave or Schedule Adjustment

EMPLOYEE _____ POSITION _____

DATE OF REQUEST _____ DATE OF LEAVE/ADJUSTMENT _____

COMPLETE THE APPROPRIATE REQUEST

REQUEST FOR LEAVE

Use if working less than 7 hours on a day, or when planning for a vacation or any time off.

AMOUNT OF LEAVE REQUESTED _____ TYPE OF LEAVE _____

REASON FOR LEAVE: _____

APPROPRIATE LEAVE ACCRUED AS OF LEAVE DATE: AL _____ SL _____ CT _____

EFFECTIVE DATE OF LEAVE _____ DATE BACK TO WORK _____

OTHER COMMENTS:

ADJUSTMENT IN SCHEDULE

Use if adjusting start, lunch, or end time of normal work hours, but still working 7 hours that day. Do not use if working late, and did not change schedule during office hours.

REGULAR WORK HOURS _____ AM to _____ PM, EFFECTIVE DATE _____

REASON FOR ADJUSTMENT: _____

ADJUSTED SCHEDULE

HOURS WORKED

TOTAL WORKED

=====

OTHER COMMENTS:

EMPLOYEE SIGNATURE _____ DATE _____

SUPERVISOR'S APPROVAL _____ DATE _____

(If supervisor is unavailable, have Executive Director approve)

Reference Sheet for Executive / Program Director

EMPLOYMENT POSITION: EXECUTIVE/PROGRAM DIRECTOR

APPLICANT'S NAME:

NAME OF REFERENCE:

RELATIONSHIP OF APPLICANT AND REFERENCE:

DATE OF REFERENCE CHECK:

How long have you known the applicant?

Did you supervise the applicant's work?

Can you attest the applicant's administrative, planning, and organizational skills?

Can you attest to the applicant's construction knowledge?

Is the applicant honest and trustworthy?

Can you vouch for the applicant's character?

Are you aware of any alcohol or drug addition that could affect the applicant's job performance?

How would you assess the applicant's writing ability? Is the applicant able to handle administrative duties such as reports, etc?

Would the applicant be good at presenting the program at public and community meetings?

Are there any other observations you would like to make about the applicant?

Team Development Rating Scale

INSTRUCTIONS: Provide a rating from one (low) to ten (high) by circling the appropriate number that you think is most descriptive of your team.

1. **Commitment**
Team members understand group goals and are committed to them.
10 9 8 7 6 5 4 3 2 1

2. **Acceptance**
Team members are friendly, concerned, and interested in each other.
10 9 8 7 6 5 4 3 2 1

3. **Clarification**
Team members acknowledge and confront conflict openly.
10 9 8 7 6 5 4 3 2 1

4. **Belonging**
Team members listen with understanding to others.
10 9 8 7 6 5 4 3 2 1

5. **Involvement**
Team members include others in the decision-making process.
10 9 8 7 6 5 4 3 2 1

6. **Support**
Team members recognize and respect individual differences.
10 9 8 7 6 5 4 3 2 1

7. **Achievement**
Team members contribute ideas and solutions to problems.
10 9 8 7 6 5 4 3 2 1

8. **Pride**
Team members value the contributions and ideas of others.
10 9 8 7 6 5 4 3 2 1

9. **Praise**
Team members recognize and reward team performance.
10 9 8 7 6 5 4 3 2 1

10. **Satisfaction**
Team members encourage and appreciate comments about team efforts.
10 9 8 7 6 5 4 3 2 1

The 1987 Annual: Developing Human Resources; University Associates, Inc;
San Diego, CA 92121

What is Effective Leadership, Anyway?

PLEASE CHECK

Do I listen carefully to what other people say?
(Or do I really think MY ideas are best?)

Do I make it easy for new people to work their way into leadership positions?
(Or do I prefer a closed group?)

Do I ask for help with big and little tasks?
(Or just for busy-work that I'm unwilling to do?)

Do I talk of what "OUR" group achieved?
(Or what "I" did?)

Do I see things as group successes or failures?
(Or do I claim credit for successes and blame others for failures?)

Do I assign tasks so that nearly everyone leaves a meeting with an assignment?
(Or am I the only person with work to do after a meeting?)

At the next meeting, do I check out which tasks have been carried out and which ones are undone?
(Or am I afraid to hold others accountable?)

Do I follow through on assignments so I can be relied upon?
(Or do I assume that no one can do as well as I can?)

Do I carefully plan a meeting?
(Or do I just attend expecting things to go smoothly with no planning?)

Do I strike a balance between setting direction and focusing a discussion and allowing everyone a chance to be heard?
(Or am I indecisive/undemocratic?)

Do I expect some conflicts and disagreements?
(Or am I afraid of conflict and take everything as a personal attack?)

Do I help the group develop a vision and goals?
(Or do I get bogged down in personal tensions and petty details?)

Am I able to keep something confidential so that group members trust me?
(Or do I forget loyalties in public or private?)

Board Candidate Recommendation

TO THE NOMINATING COMMITTEE: I recommend that the person listed below be considered for election to the Board of Directors:

Name: _____

Address: _____

City/State: _____ Zip: _____

Phone: _____

Business: _____

Address: _____

City/State: _____ Zip: _____

Phone: _____

Business/Profession: _____

Skills of interest to our organization:

Other active community involvement:

Current interest in the organization:

What Board activities would interest this person?

Recommended By: _____ Date: _____

Board Profile Grid

Term Expires in the year 20__

Knowledge Of:

Human Problems In Urban Areas

Human Problems In Rural Areas

Human Resources

Financial Resources

Available Community Services

Expertise In:

Legal Affairs

Personnel Management

Financial Management

Fund Raising

Service Development

Public/Community Relations

Field of Planning

Social Services

The Nursing Field

The Medical Field

Health Delivery Field

Public Safety

Education

Influence Within:

The Power Group

The Business/Financial Community

The Agricultural Community

Labor Organizations
Ethnic/Minority Groups
The Media
The Government
Related Organizations

Male

Female

Under 21 Years

21 - 29 Years

30 - 39 Years

40 - 59 Years

60 - 69 Years

Over 70 Years

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 that 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 |

RD Instruction 1944-I
Exhibit E
Page 2

| | | |
|--|-----|----|
| 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 RD 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 of 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)

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.

| <u>Question</u> | <u>Answer</u> |
|-----------------|---------------|
| 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 |

Sample Self-Evaluation Questions

Suggested procedure -

1. Select the numbered questions that you wish to answer.
2. Examine the questions in each category and describe the answer you want for each question.
3. Determine the information that would give the answer, and specify the source and method for each item of information.

1. Are we accomplishing our program goals?

Are we serving very low- and low-income participants who would not otherwise be able to become homeowners?

Are we building homes of good quality, safe, well constructed, and sited?

Are we using the mutual self-help method successfully?

Are we successful in training the participants in homeowner skills and knowledge?

Is our program within budget and on time?

2. Are we managing our resources well?

Are we getting good quality in everything we purchase (both goods and services)?

Are we spending at or below our projected costs?

Is our indirect cost policy working well?

Are our salaries reasonable?

Is any staff member under or over utilized?

3. Do we have good communications?

Is there anyone who "doesn't ever get the message"?

Are communications forms the right ones? Do we have paper where we need it? Do our verbal communications work well?

Is communicating timely in our program? Or does anyone get the news too late?

4. Is our planning process paying off?

Are we ever surprised by events/situations that other people saw coming?

Are we always in a position to have routine actions performed on time, or even a little

ahead?

Are adjustments to our plans and schedules relatively quick and easy to make?

5. Are we in compliance?

with Rural Development regulations on the 523 grant, construction standards, land, and 502 loans?

with Federal administrative and financial requirements of Rural Development's regulations and the OMB Circulars?

with all state and local laws, ordinances, and administrative requirements?

6. Is our program administered well?

Are our records and files well organized and is filing current?

Is there a clear paper trail and documentation for **all** expenditures?

Are billing and paying current?

Are we running into unexplainable difficulties in estimating our funding needs from month to month?

Is cost allocation a problem (between funding sources, between direct and indirect cost categories)?

Do we have any unresolved audit questions?

Are we a successful employer? Are our employees successful?

CHDO Questionnaire

In order to qualify as a CHDO under federal regulations governing the HOME Program, a nonprofit organization must meet the requirements contained in this questionnaire.

I. LEGAL STATUS

A. The nonprofit organization is organized under State or local laws, as evidenced by:

_____ a Charter, OR
_____ Articles of Incorporation

B. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

_____ a Charter, OR
_____ Articles of Incorporation

C. Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501 (c) of the Internal Revenue Code of 1986, as evidenced by:

_____ a 501 (c) Certificate from the IRS

D. Has among its purposes the provision of decent housing that is affordable to low- and moderate-income people, as evidenced by a statement in the organization's:

_____ Charter,
_____ Articles of Incorporation,
_____ By-laws, OR
_____ Resolutions

II. CAPACITY

A. Conforms to the financial accountability standards of Attachment F of OMB Circular A-110, "Standards for Financial Management Systems", as evidenced by:

_____ a notarized statement by the president, or chief financial officer of the organization;
_____ certification from a Certified Public Accountant, OR
_____ HUD approved audit summary

- B. Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

_____ resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR

_____ contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.

- C. Has a history of serving the community where housing to be assisted with HOME funds will be used, as evidenced by:

_____ a statement that documents at least one year of experience in serving the community, OR

_____ for newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

The CHDO, or its parent organization must be able to show one year of serving the community from the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president of the organization.

III. ORGANIZATIONAL STRUCTURE

- A. Maintains at least one-third of its governing board's membership for residents of low income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations as evidenced by the organization's:

_____ By-Laws,
_____ Charter, OR
_____ Articles of Incorporation

Under the HOME Program, for urban areas, the term, "community", is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area (but not the whole state).

- B. Provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of all HOME assisted affordable housing projects, as evidenced by:

_____ the organization's By-laws,
_____ Resolutions, OR
_____ a written statement of operating procedures approved by the governing body

- C. A CHDO may be chartered by a State or local government; however, the State or local government may not appoint: (1) more than one-third of the membership of the organization's governing body; (2) the board members appointed by the State or local government may not, in turn, appoint the remaining two-thirds of the board members; and (3) no more than one-third of the governing board members are public officials, as evidenced by the organization's:

_____ By-laws,
_____ Charter, OR
_____ Articles of Incorporation

- D. If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO'S:

_____ By-laws,
_____ Charter, OR
_____ Articles of Incorporation

IV. RELATIONSHIP WITH FOR-PROFIT ENTITIES

- A. Is not controlled, nor receives directions from individuals, or entities seeking profit from the organization, as evidenced by:

_____ the organization's By-laws, OR
_____ a Memorandum of Understanding (MOU)

- B. A Community Housing Development Organization may be sponsored or created by a for-profit entity, if:

- (1) the for-profit entity's primary purpose does not include the development or management of housing, as evidenced:

_____ in the for-profit organization's By-laws

AND;

- (2) the CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced in the CHDO'S:

_____ By-laws,
_____ Charter, OR
_____ Articles of Incorporation

V. RELATIONSHIP WITH RELIGIOUS ORGANIZATIONS

- A. Is not a primarily religious organization, as evidenced by:

_____ a Charter, OR
_____ Articles of Incorporation

- B. A CHDO may be established by a religious organization provided that the CHDO is not controlled by, nor receives direction from, the religious organization as evidenced by:

_____ the CHDO's By-laws, OR
_____ a Memorandum of Understanding