

South Carolina Housing Trust Fund

# Nonprofit Participation Manual

Administered by - The SC State Housing Finance and Development Authority

Effective: April 4, 2018

# Table of Contents

<b>Definitions .....</b>	<b>2</b>
<b>General Requirements.....</b>	<b>4</b>
Submitting Application .....	4
Application Review Process.....	5
<b>Nonprofit Requirements .....</b>	<b>5 - 9</b>
Nonprofit Application.....	5
Qualifying Criteria .....	5 - 6
Community Support .....	7
Experience and Capacity .....	7 - 9
<b>Program Suspension/ Debarment .....</b>	<b>9 - 10</b>

# Definitions

**Annual Income** - The gross income of all adult household members eighteen (18) years of age or older that is anticipated to be received in the upcoming twelve (12) month period.

**Applicant** - An organization exempt from taxes under Sections 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended, which is interested in applying for SC HTF program funds.

**Application** - The completed forms, schedules, attachments, and any additional documentation requested in the application.

**Application Deadline** - The deadline for applying for an initial designation to become an approved nonprofit or to re-certify an existing designation.

**Authority** - The South Carolina State Housing Finance and Development Authority.

**Board Chairperson/Board President** - The individual designated to lead the board of directors/trustees for an organization.

**Board of Directors (aka Board of Trustees)** - A recognized group of people who jointly oversee the activities of an organization. A board's powers, duties, and responsibilities are determined by the organization's own Bylaws and governing regulations. These documents may specify the number of members of the board, how they are to be chosen, and how often they are to meet. The Board is the highest authority in the management of the organization. The Board appoints the Chief Executive Officer of the organization and sets out the overall strategic direction for the organization. The board is the governing body of the organization.

**Board of Directors Resolution** - A Board of Directors resolution is often used to facilitate and document decisions that need to be made during the course of the organization's established financial year. The point of a Board Resolution is to address a specific issue that the board needs to decide on. The resolution should be formally documented, including the date it was voted on and approved, as well as executed, by the appropriate board member.

**Capacity** - A nonprofit's ability to deliver its mission effectively, now and in the future. Capacity building is not a one-time effort to improve short-term effectiveness, but a continuous improvement strategy toward the creation of a sustainable and effective organization.

**Chief Executive Officer (CEO)/Executive Director/President** - Chief officer of the organization who runs the day-to-day operations of the nonprofit.

**Community** - In urban areas, the term "community" may include several neighborhoods, or a city, county or metropolitan area, and is not necessarily limited to a single neighborhood. In rural areas, "community" may refer to a multicounty area, but not the entire state.

**Complete Project** - A project that has submitted an executed Certification of Payment (HTF-4C). A project is considered successfully completed if the final inspection has been approved and the Certification of Payment (HTF-4C) signed by the contractor has been submitted.

**Consulting Organization** - A nonprofit that has more than twelve (12) months of experience in housing development (single- or multi- family) utilizing Housing Trust Fund funding and is currently an Authority approved Nonprofit. **NOTE:** Consulting Organizations are to be used to provide and build capacity for a

period not to exceed one (1) full program year. THE AUTHORITY MUST GIVE WRITTEN APPROVAL FOR A NONPROFIT TO BE A CONSULTING ORGANIZATION.

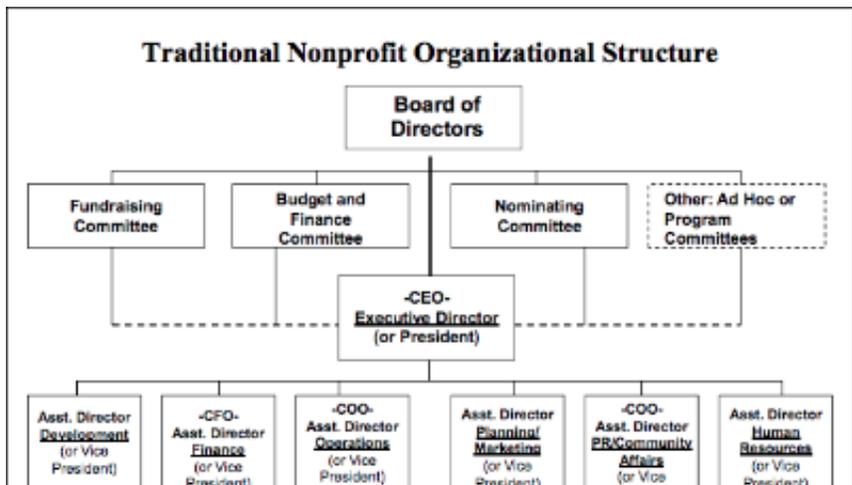
**Contact Person** - The primary person with decision-making authority for the Applicant with whom the Authority will correspond.

**Contract Employee** - An employee who works under contract for an employer and is hired for a specific job at a specific rate of pay. A contract employee does not become a regular addition to the staff and is not considered a permanent employee. For the purposes of the HTF, contract employees must not work for more than one approved nonprofit. Contract employees may not be an employee (part-time or full time) for one nonprofit and also serve concurrently as a contract employee for another nonprofit.

**Nonprofit Organization (NPO)** - An organization dedicated to furthering a particular social cause and using its surplus revenues to further achieve its ultimate objective, rather than distributing its income to its leaders or members.

**Liquid Assets** - The Authority defines liquid assets as cash, cash equivalents, and investments held in the name of the entity(s), including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including, but not limited to: stock held in the applicant’s own company or any closely held entity, investments in retirement accounts, cash or investments pledged as collateral for any liability, and cash in property accounts including reserves.

**Organizational Chart (Org Chart)** - An org chart is a visual representation of how an organization intends authority, responsibility, and information to flow within its formal structure. It usually depicts different management and operation functions (accounting, finance, human resources, marketing, production, R&D, etc.) and their respective divisions.



**Owner-Occupied Home** - A single-family unit in which the owner(s) of the unit lives and has lived for no less than two (2) years as their principal residence. The unit must not contain a commercial business.

**SC HTF** - The South Carolina Housing Trust Fund as administered by the Authority.

**Status of “Good Standing”** - A certification by the SC Secretary of State’s Office which may be obtained by visiting [www.scsos.com](http://www.scsos.com) and searching for the nonprofit by clicking on “Corporation Search.” Once the nonprofit’s profile is found, the “Good Standing” status may be evidenced by printing the page or screen.

**Training Plan** - The plan used by organizations partnering with consulting organizations to train key staff or its principal officers and which must address all of the following areas of training; scope of work, staff to be trained, costs, timeline with specific objectives to be reached by specific dates, and a completion date.

**Very Low-Income** - Income that does not exceed fifty percent (50%) of the median income for the area, as determined by HUD, with adjustments for family size.

# General Requirements

## HTF Nonprofit Designation

### **APPLICATION SUBMISSION:**

Applications will be accepted **annually** for initial and re-certification designations.

**Submission date begins:** **May 14, 2018**

**Submission date ends at 5:00 pm (EST):** **Monday, May 21, 2018**

Applications may be delivered by mail, other shipping service, or by hand delivery as follows:

South Carolina State Housing Finance and Development Authority  
Attn: DEVELOPMENT DIVISION  
Nonprofit Participation Application  
300-C Outlet Pointe Blvd.  
Columbia, SC 29210

- Facsimile transmissions will **NOT** be accepted.
- Provide one (1) original application, no additional copies are needed.

Applications are on the Authority's website: [www.schousing.com/Home/SCHousingTrustFund](http://www.schousing.com/Home/SCHousingTrustFund)  
Click on "Nonprofit Sponsors" to see the application and all attachments, etc.

### **APPLICATION REVIEW PROCESS:**

- Application review should be completed June 29, 2018.
- Approved organizations will receive an approval letter.
- Organizations that fail to qualify or that have four (4) or less missing and/or incomplete items will receive a letter of notification as to the deficiencies and will have seven (7) business days in which to submit corrections. There will be only **one** opportunity for organizations to correct deficiencies. If unsuccessful, nonprofits may reapply the following program year.
- Applications with five (5) or more missing and/or incomplete items will not be approved and must reapply the following program year.
- The Authority will maintain a list of Approved Nonprofits. All approvals will be for a period of two (2) program years (from the date of approval notice through June 30, 2020).
- Newly approved nonprofits must have an implementation meeting at their office or the Authority's office. Newly approved nonprofits will not be eligible to participate in Owner Occupied Rehabilitation Block Grant activities until successfully completing, as determined by the Authority, five (5) Emergency Repair projects.
- The Authority allows up to five (5) ER projects to be open for an approved nonprofit at any one time. Newly approved nonprofits can submit up to three (3) ER applications upon approval and work up to the maximum of five (5) only with Authority approval.

# Nonprofit Requirements for HTF Participation

## **NONPROFIT APPLICATION:**

Place the original, completed, and executed **Nonprofit Participation Application**, and the Checklist behind **Tab 1**.

## **QUALIFYING CRITERIA:**

1. **IRS Tax-Exempt Ruling** - An organization must have already received a tax-exempt ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986 before being designated by the Authority as an approved nonprofit.

The 501(c) designations permissible are:

- 501(c)(3) status - a charitable, nonprofit corporation; or
- 501(c)(4) status - a community or civic organization

For nonprofit applicants operating in conjunction with the SC Department of Disabilities and Special Needs, a 501(c)(3), 501(c)(4) or IRS nonprofit governmental letter should be provided.

Provide one of the above **designation letters from the IRS** along with **proof of “good standing”** status from the South Carolina Secretary of State behind under **Tab 2**. To show a nonprofit is in Good Standing, visit the Secretary of State’s web page at: [www.scsos.com](http://www.scsos.com); click on “Corporate Search;” once the nonprofit is found, print a paper copy of the webpage showing the organization is currently in “Good Standing.”

Organizations that have been **in existence less than one (1) full year are not eligible to apply** to be an approved nonprofit.

2. **Bylaws** - Provide a copy of your organization’s **Charter, Certificate or Articles of Incorporation** and a copy of its **By-Laws** and Board Member information behind **Tab 3**. **Each requirement listed below must be HIGHLIGHTED or circled within the copy of the Bylaws or the item will be considered missing.**

- Bylaws must be exclusive to the organization and must be signed and dated;
- Bylaws must include a clear housing purpose, such as a provision to provide safe, sanitary and affordable housing to low and moderate income families;
- How the organization’s financial year is set-up must be included in the Bylaws (i.e. calendar year, fiscal year from July 1 to June 30);
- All Applicants must perform services within a **defined service area**. The defined service area is limited to the county in which the organization is headquartered along with up to six (6) nearby/surrounding counties for a total of up to seven (7) counties. Nonprofits wishing to expand their service area up to ten (10) counties may do so **ONLY IF** two (2) of the additional counties are on the [HTF Underserved Counties list](#). A map and description of the Applicant’s service area must be included behind **Tab 3**;

- A “no benefit” provision, stating the following must be in the Applicant’s Charter, Articles of Incorporation, Bylaws or a Resolution approved by the Board of Directors and placed behind **Tab 3**:

*“No employee, agent, consultant, Board member or officer of [insert name of organization] may obtain a financial interest or benefit from [insert name of organization]’s operation of any South Carolina State Housing Finance and Development Authority program, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder during one’s tenure, or for one (1) full year thereafter. Nor shall an immediate family member or business associate of an employee, agent, consultant, Board member or officer, or any organization which employs or is about to employ such employee, agent, consultant, Board member or officer, obtain a financial interest or benefit from the transaction or contract of [the organization] related to participation in any South Carolina State Housing Finance and Development Authority program.”*

In the event that a person subject to this provision provides services to the organization in their normal course of business, the organization may apply to the Authority for a waiver to permit such person to provide such services if the fee to be charged for such service or services is reasonable and does not exceed what is regularly and customarily charged for such service or services. The Authority has sole discretion whether to grant such waiver.

It is against the law for an Applicant’s net earnings (profits) to benefit any member, founder, contributor or individual.

### 3. **Board of Directors/Board of Trustees Structure**

- Applying nonprofits must have a minimum of five (5) board members with no less than 80% of its members residing within the defined service area(s);
- Members of the board cannot be related to one another by blood, marriage and/or business relationships;
- A lifetime term is not acceptable for board members. The term of service for each board member must be stated on **Attachment A** using months and years;
- Board members cannot also serve as staff members;
- The *Board Chairperson/Board President cannot* also be the organization’s *Chief Executive Officer (CEO) /Executive Director/President* and/or the organization’s *Chief Financial Officer (CFO)/Financial Representative*. These three separate jobs must be held by three (3) separate individuals.

Include copies of all **board meeting minutes** for the twelve (12) months prior to this application date behind **Tab 3**. Ensure meeting minutes are signed and dated by the appropriate board officer.

4. **Organizational Chart** – place a copy of the organization’s org chart behind **Tab 3**. Include staff names within the chart.

## **COMMUNITY SUPPORT:**

Applicants must provide a minimum of **three (3) written community support letters** from third-party sources located in the jurisdiction(s) in which it plans to provide services.

- These letters can be obtained from organizations with which the Applicant has worked; preferably completing activities comparable to HTF activities, such as:
  - Local municipalities – for example, a council member, mayor, etc.;
  - Local community organizations or churches; and/or
  - Local community businesses ONLY IF those businesses have partnered with the applying nonprofit in community events.
- These letters CANNOT be from:
  - Other Authority-approved nonprofits
- The letters must be signed and on the supporting organization’s letterhead; **and**
- The letters must be dated within six (6) months of the Nonprofit Participation Application.

**Provide the community support letters behind Tab 4.**

## **EXPERIENCE AND CAPACITY:**

1. **Experience** – The Applicant must provide documentation that it has at least one (1) full years’ experience in affordable housing development.

Organizations that have been in existence for less than one (1) full year do not have at least one (1) full year’s affordable housing development experience, and therefore are not eligible to apply to be an approved nonprofit.

Examples of **documentation of experience** are:

- Pictures documenting rehabilitated projects, neighborhood revitalization or community development;
- A project summary of efforts that the Applicant participated in or completed, including a letter from the funding partner that financed the project; and/or
- List of completed projects from the Annual Report or Board Minutes of the Applicant.

**Provide the above documentation behind Tab 5.**

An organization that has been incorporated more than one (1) full year but has less than one (1) full year of **affordable housing development experience** may utilize a Consulting Organization to meet the requirement of one (1) full year’s affordable housing development experience. However, the Consulting Organization may not be partnered with more than one (1) newly created nonprofit at a time nor can the partnership exceed more than one (1) HTF program year. THE AUTHORITY MUST GIVE PRIOR WRITTEN APPROVAL FOR A NONPROFIT TO BE A CONSULTING ORGANIZATION. To do so, the newly applying organization must complete **Attachment F** and submit to the Authority by Friday, May 18, 2018. The Authority will let the newly applying organization know if the proposed consulting organization is approved or denied as soon as possible.

**If utilizing a Consulting Organization, the following information must be submitted behind Tab 5:**

- a. **Executed Contract** for Services between the newly formed nonprofit and the Consulting Organization stating:
  - i. exactly what services will be provided by the Consulting Organization;
  - ii. a description of each of the organizations' respective responsibilities;
  - iii. the length of time the contract will be in place (not to exceed one (1) full year); and
  - iv. any additional terms of the contract.
- b. A detailed **Training Plan** created by the Consulting Organization that will be used to train the newly formed nonprofit's key staff members or its principal officers.
- c. **Attachment F** (completed and executed); **and**
- d. **Resume(s)** of the Consulting Organization's key contact person(s).

Based on the experience of a newly created nonprofit and utilizing discretion, the Authority reserves the right to restrict participation in program activities.

2. **Staff Capacity** – An Applicant must demonstrate the capacity of its key staff to carry out HTF activities.

**To demonstrate capacity, the following must be provided behind Tab 6:**

- **Attachment E**; and
- **Resumes** of all key staff members and principal officers associated with implementing the activities of the HTF program noting experience relative to housing programs.

All Applicants must have a minimum of one (1):

- a. full-time staff person, who can be a volunteer;
- b. office telephone number with a large voice mail;
- c. computer with internet access;
- d. working e-mail address; and
- e. color printer.

The organization's *Chief Executive Officer (CEO)/Executive Director/President* **cannot** also serve as the organization's *Chief Financial Officer (CFO)/Financial Representative* or its *Board Chairperson/Board President*.

3. **Financial Capacity** – An Applicant must demonstrate that it is financially viable and has a financial management system in place that provides proper controls and reporting of the organization's activities. The Applicant must have minimum unrestricted liquid assets of ten thousand dollars (\$10,000) as evidenced by the balance sheet (Statement of Financial Position) of its financial statements as outlined below.

An Applicant may be denied participation in the HTF program if major weaknesses or

negative financial conditions are noted in the financial or bank statements provided. The Authority reserves the right to verify all financial information as it deems necessary.

The organization's *Chief Financial Officer (CFO)/Financial Representative* **cannot** also serve as the organization's *Chief Executive Officer (CEO) / Executive Director / President* or its *Board Chairperson/Board President*.

**The following financial requirements must be provided behind Tab 7:**

- a. **Financial statements** that have been reviewed or audited by an independent CPA licensed by the South Carolina Board of Accountancy. Financial statements must include an Income Statement (Statement of Activities) documenting one (1) full year of activities and a Balance Sheet (Statement of Financial Position) dated on or after April 30, 2016. All financial statements must include notes and any footnotes to the financial statements. In instances where the Applicant has been in existence more than twelve (12) months but for less than fifteen (15) months, the Income Statement (Statement of Activities) submitted should cover the period since the inception of the organization. Monthly bank statements from each month the organization has been in existence must also be provided.
- b. The **most recent (2016 or 2017) income tax return** or **IRS Form 990** (must also provide evidence of delivery to the IRS.). Board members must be appropriately documented in the IRS Form 990.
- c. **Attachment C** completed and executed by an individual independent of those compiling the organization's financial statements. The individual should have a connection to the nonprofit such as the Board Treasurer, or Chief Financial Officer. **Attachment C** must be notarized.
- d. If a newly applying nonprofit, an executed W-9 must be submitted.

**PROGRAM SUSPENSION/ DEBARMENT:**

1. Any of the following actions may result in an up to six (6) month suspension from participating in all Authority administered programs:
  - Failure to complete a project by the completion deadline specified in the HTF Funding Agreement;
  - Failure to provide legally executed HTF Forms and/or documents (HTF-2B, HTF-2C, etc.) or providing a false or inaccurate certification that a project meets the standards and requirements as stated in the body of the certification when, in fact, it does not, will result in the disqualification of the nonprofit;
  - The Authority may also file a complaint against the contractor with the S.C. Department of Labor, Licensing and Regulation.
2. Any of the following actions may result in the permanent debarment from participating in all Authority administered programs:
  - Any Applicant who provides false or misleading information to the Authority with regard to a project seeking HTF funds, in any capacity whatsoever, regardless of when such false or misleading information is discovered. Any award received on the basis of such false or misleading information shall become null and void. Each Applicant will be given written

notice by the Development Director stating the reason for which the sanction of debarment was imposed;

- An Applicant who provides agreements, written or otherwise, that attempt to circumvent Authority requirements regardless of when the violation is discovered.

**The Authority, in its sole discretion, may determine other acts to be infractions of the program that require suspension or debarment; those suspensions and debarments are conducted as outlined in the Authority's Debarment and Program Suspension Policy which can be found on the Authority's website.**