

**Agenda**  
**Rural Housing Services, Inc.**  
**Meeting of the Board of Directors**

Housing Assistance Council

Friday, May 19, 2017

1:00 p.m.      CALL TO ORDER

1:05 p.m.      APPROVAL OF THE AGENDA

1:10 p.m.      APPROVAL OF MINUTES OF Nov 4, 2016

1:15 p.m.      FINANCIAL REPORT

1:20 p.m.      UPDATES

- Portfolio Report, list of projects and units occupied
- Update on HAC Loans to RHS
- Update on removing RHS from Partnerships

1:30 p.m.      ADJOURN

**Minutes**  
**Rural Housing Services, Inc.**  
**Board of Directors Meeting**  
Nov 4, 2016  
Washington, DC

**Members**

**Present:** M. Loza, J. Casper, P. Nichol, A. Bias, N. Gutierrez, P. Carey

**Members**

**Absent:** L. West-Hoff

**Guests:** T. Manning-Beavin

**Staff**

**Present:** J. Diaz, K. Klusmann, T. Russell, J. Mosley, L. George

**Call to Order:** The meeting of Rural Housing Services, Inc., Board of Directors was called to order at 2:05 P.M., Friday, Nov 4, 2016, by its president, Moises Loza.

**Approval of Agenda:** N. Gutierrez moved and A. Bias seconded approval of the agenda as presented. The motion carried unanimously.

**Adoption of Minutes:** P. Nichol moved and N. Gutierrez seconded the adoption of the May 20, 2016, meeting minutes. The motion carried unanimously.

**Financial Report:** T. Russell reported that as of Sept 30, 2016, RHS cash and cash equivalents were \$641,561; investments in limited partnerships, \$1,885; for total assets of \$643,446. T. Russell reported that accounts payable were \$184,289; for total liabilities of \$184,289; and total stockholders' equity, \$459,157; giving a total of liabilities and equity of \$643,446.

A.Bias moved and J. Casper seconded to accept the financial report as presented. The motion passed unanimously.

**Update of RHS Portfolio:** J. Diaz provided a brief report on the 3 properties in the RHS portfolio.

**Griffin Mandela:** The project is reporting 100% occupancy. RD approved the 2016 budget for the Griffin-Mandela Apts. in September 2016. The budget included 12 monthly payments on the HAC loan. A check for \$6,064.32 was sent to HAC on September 23<sup>rd</sup>. The 2017 budget, submitted in September 2016 and awaiting RD approval, includes a \$5.00 per month rent increase.

The management company made a verbal offer of \$110,000 to take over the property. M. Loza contacted the local partner and is waiting for a reaction to the proposal. A memorandum sent to the local partner was shared with the RHS board.

**North Clinton Manor:** The project is reporting 100 % occupancy. The project is in stable financial condition. The management company is working on the 2017 Budget. During 2016 the following work was done or is in progress:

Replace flooring in 6 units, replace two fridges, replace one range, replace 7 HAV units, completed 504 of the 1622 ft of the handrails that needed to be replaced, in the process of replacing several unit cabinets.

A public notice was placed in a local newspaper requesting information on the principals of North Clinton Manor Affiliates, our local partner. This will help start the process to help us get closer to getting RHS, Inc. out of the partnership.

**Lee House:** The project is reporting 100% occupancy and is in good physical shape. M. Loza has not received a response from the local partner on transferring the ownership of the project.

**Update on HAC Loans to RHS:** K. Klusmann stated that on 2010, HAC Loan Committee approved an RHLF loan of \$65,327, to support the renovation and roof repairs of 12 of the 30 units of Griffin Mandela. RHS, Inc. made a payment of \$2,596 for accrued and unpaid interest on the loan through 12/2015. On 2016 HAC received a payment from Griffin Mandela Apartments in the amount of \$6,064 to reduce its principal balance from \$53,679 to \$48,402.

The RHS Board of Directors instructed M. Loza to contact the Griffin Mandela project local partner and let him know that RHS, Inc is expecting an answer, otherwise RHS, Inc. may need to take stronger actions.

With no further business, the meeting of the Rural Housing Services, Inc., Board of Directors was adjourned at 2:40 P.M., on Friday, Nov 4, 2016.

Respectfully Reviewed by

\_\_\_\_\_  
Signed  
A. Bias, Secretary/Treasurer  
RHS Board of Directors

**RURAL HOUSING SERVICES, INC.**  
**CONFLICT OF INTEREST POLICY**

Article I  
Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II  
Definitions

1. Interested Person

Any director, principal officer, or member of a committee with board-delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement;
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement; or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. It does not include directors' stipends or travel reimbursement for directors or committee persons.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the board or committee decides that a conflict of interest exists.

Article III  
Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with board-delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

a. An interested person may make a presentation at the board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

a. If the board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

#### Article IV

#### Records of Proceedings

The minutes of the board and all committees with board-delegated powers shall contain:

a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

#### Article V

#### Compensation

a. A voting member of the board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

c. No voting member of the board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation, providing however, such prohibition shall not apply to the Executive Director and 2<sup>nd</sup> Vice President with regard to providing information for (i) his or her evaluation or (ii) the compensation of the organizations employees.

Article VI  
Annual Statements

Each director, principal officer and member of a committee with board-delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy;
- c. Has agreed to comply with the policy; and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII  
Periodic Reviews

To ensure the Organization operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

Article VIII  
Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

Conflict of Interest Certification and Disclosure Form

Name:

Position (e.g., employee/volunteer/director):

Date:

**Certification**

By signing this form below, I certify that:

1. I have received a copy of the organization's conflict of interest policy;
2. I have read and understand the policy;
3. I agree to comply with the policy; and
4. I understand that the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its exempt purposes and not engage in activities and transactions that provide impermissible benefits to individuals or entities.

**Conflict of Interest Disclosure**

Please certify below that you either have no actual or possible conflict of interest to report, or describe below any relationships, transactions, positions you hold (volunteer or otherwise), or circumstances that you believe could contribute to an actual or possible conflict of interest between the organization and your personal interests, financial or otherwise:

\_\_\_\_\_ I have no conflict of interest to report.

\_\_\_\_\_ I have the following actual or possible conflict(s) of interest to report.



1. Please specify below any actual transactions you are aware of between the organization and any entity or person with which you have a business, investment, or family relationship.

(Please attach a supplemental statement if you have additional actual or possible conflicts of interest to disclose.)

2. For the purposes of determining possible future conflicts of interest, please also specify other nonprofit and for-profit boards on which you an /or your souse sit, any for-profit businesses for which you or an immediate family member are an officer or director, or a majority shareholder, and the name of your employer and any businesses you or a family member own.

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

(Please attach a supplemental statement if you have additional actual or possible conflicts of interest to disclose.)

I hereby certify that the information set forth above is true and complete to the best of my knowledge.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## MEMORANDUM

**To:** RHS Board Members

**From:** Jorge Diaz, Portfolio Manager

**Re:** Portfolio Report

**DATE:** May 19, 2017

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Following is a status report of the RHS portfolio for the second quarter of fiscal year 2017. Also, attached is a RHS project's occupancy report.

**Griffin Mandela:** The project is reporting 100% occupancy. Project debt service payments, real estate taxes, reserve contributions, and insurance are paid and current. The year-end audit and tax returns were completed by the due dates. There is a positive cash flow at the end of the reporting quarter.

**North Clinton Manor:** The project is reporting 100 % occupancy. The project is in stable financial condition. A 2017 Budget submitted in October of 2017 was approved by RD. The Budget includes a \$25.00 rent increase.

**Lee House:** The project is reporting 100% occupancy. Management is making changes to reduce utility expenses. RD approved the 2017 budget with a rent increase of \$10 by unit, to cover an increase for garbage removal. The project produced a positive cash flow during 2016 and RHS shared in the return to owner proceeds.

**RHS Projects**  
As 03.31.2017

<b>Project Name</b>	<b>Location</b>	<b>Total # of Units</b>	<b>E (elderly) F (family)</b>	<b>Units occupied at this report</b>	<b>Reserve Account Funded</b>
Griffin Mandela	Greensboro, AL	30	F	30	yes
Lee House	Port Henry, NY	25	E	25	yes
North Clinton	Clinton, NC	40	E	40	yes
	<b>Total:</b>	95		95	

**Rural Housing Services, Inc.**  
**BALANCE SHEET**  
**March 31, 2017**

<b>ASSETS</b>	<b><u>03/31/17</u></b>	<b><u>AUDITED</u></b> <b><u>09/30/16</u></b>
Cash and cash equivalents	\$ 460,403	\$ 641,561
Partnership receivables	-	-
Investments in limited partnerships	1,885	1,885
<b>Total assets</b>	<b><u>\$ 462,288</u></b>	<b><u>\$ 643,446</u></b>
 <b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 184,289
<b>Total liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$ 184,289</u></b>
 <b>Stockholders Equity</b>		
Capital stock - common	\$ 1,096,719	\$ 1,096,719
Capital stock - preferred	\$ 320,128	\$ 320,128
Retained earnings	\$ (960,287)	\$ (995,717)
Net profit (loss)	\$ 5,729	\$ 38,027
<b>Total stockholders equity</b>	<b><u>\$ 462,288</u></b>	<b><u>\$ 459,157</u></b>
 <b>Total liabilities and Equity</b>	 <b><u>\$ 462,288</u></b>	 <b><u>\$ 643,446</u></b>

Rural Housing Services, Inc.  
**PROFIT AND LOSS STATEMENT**  
**FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2017**

	<u>03/31/17</u>	<u>AUDITED</u> <u>09/30/16</u>
<b>REVENUE</b>		
Interest/Investment Income	\$ 6,379	\$ 14,700
Other Income	-	33,815
<b>Total revenue</b>	<u>\$ 6,379</u>	<u>\$ 48,515</u>
<b>EXPENSES</b>		
Professional Fees	-	\$ 10,003
Real Estate Expenses	-	-
Unreimbursable expenses	-	-
Miscellaneous	651	484
<b>Total expenses</b>	<u>\$ 651</u>	<u>\$ 10,487</u>
<b>Net Profit (Loss)</b>	<u>\$ 5,729</u>	<u>\$ 38,027</u>

**RURAL HOUSING SERVICES  
NOTES TO THE FINANCIAL REPORT  
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2017**

**Statement of Financial Position (page 1)**

At the end of March 2017, the Rural Housing Service had total assets, liabilities and net assets of \$462,288. (Page 1)

**Statement of Activities and Changes in Net Assets (page 2)**

*Total revenues and expenses* are \$6,379 and \$651, respectively. The Net profit is \$5,729 (page 2).

**A. Cash and Cash Equivalents**

At March 31, 2017, Cash and cash equivalents include \$460,403.

**B. Investments in Limited Partnerships**

This represents the RHS' ownership interest, at cost, in limited partnerships that were created to run and operate low-income housing projects. The ownership interests are held by RHS in amounts ranging from 0.5% to 5% in each limited partnership usually in the capacity of a co-general partner with a local community based organization.

**C. Accounts Payables**

There were no outstanding Accounts payable. The Management fees payable to HAC of \$186,886.47 was disbursed HAC in mid-February 2017.

**D. Interest Income**

RHSI is generated interest income of \$6,379 through the mid-year 2017.

**E. Expenses**

There is \$345 for annual filing fees. and bank fees of \$306.