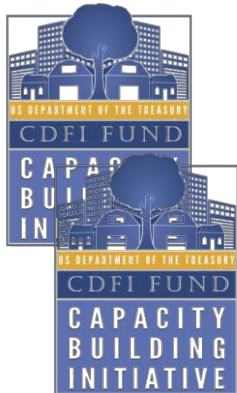


NeighborWorks ® Training Institute

**ARE WE ON THE SAME PAGE?
*EFFECTIVE NATIVE CDFI GOVERNANCE
BY THE BOARD OF DIRECTORS***



**Course materials sponsored through funding from the
CDFI Fund Capacity Building Initiative.**

Working Together for Strong Communities



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TAB 1

COURSE OVERVIEW

COURSE OVERVIEW

COURSE TITLE: Are We on the Same Page?
Effective Native CDFI Governance by the Board of Directors

LENGTH OF COURSE: One-day course

COURSE DESCRIPTION:

In this one-day course, we will focus on what it takes to ensure that your board of directors is working effectively to support the work of your Native CDFI as you take your work to the next level. We will start by building on participants' own board experience, and looking at the responsibilities of a CDFI board. We will then look at organization/board alignment, and look at a critical element of board development: the composition of the board of directors. We will then turn to the relationship between the board chair and executive director, and then look at effective information sharing with the board and the work of board committees. We will pull all of these elements together at the end of the day with an assessment focusing on what successful Native CDFI boards need, and a corresponding workplan to outline next steps for each organization.

COURSE OBJECTIVE: This course will enable participants to work more effectively with their CDFIs' board of directors, and ensure that their boards are supporting their CDFIs' move to the next level.

CORE COMPETENCIES AND LEARNING OBJECTIVES:

Competency 1: Participants will be able to use their own personal experiences as board members along with the experiences of their peers to guide their work with their CDFI board, and outline the main responsibilities of CDFI boards.

Learning Objective 1a: By the end of session 1, participants will be able to identify elements of positive board experiences and discuss these elements in the context of their own board.

Learning Objective 1b: By the end of session 1, participants will be able to outline the key responsibilities of CDFI boards.

Competency 2: Participants will be able to determine if their organizational development is aligned with their board development.

Learning Objective 2a: Based on a visual exercise to map out key components of organizational vs. board development, participants will be able to determine if there is a mismatch between the two.

Learning Objective 2b: Based on a class discussion about organizational and board development, participants will be able to suggest strategies to improve alignment.

Competency 3: Participants will be able to analyze the composition of their current board of directors.

Learning Objective 3a: By the end of session 3, based on analysis of the current composition of their boards, participants will be able to identify the skills and affiliations of current board members.

Learning Objective 3b: By the end of session 3, based on a group discussion, participants will be able to identify specific people to recruit in the future.

Competency 4: Participants will be able to analyze and strengthen the relationship between the board chair and executive director

Learning Objective 4a: By the end of session 4, after examining the board chair-executive director relationship, participants will be able to outline specific steps that they can take to strengthen the relationship between the board chair and executive director.

Competency 5: Participants will be able to analyze current board operations, focusing on effective communications and committees.

Learning Objective 5a: By the end of session 5, based on the discussion about effective communication, participants will design their own board “dashboards.”

Learning Objective 5b: By the end of session 5, based on an analysis of their own committees, participants will be able to determine how to strengthen their committee structure.

Competency 6: Participants will be able to assess whether their Board has the elements necessary for success.

Learning Objective 6a: By the end of session 6, based on an assessment of the elements necessary for successful board operations, participants will be able to develop a workplan to ensure that their board has the necessary elements in place for success.

AGENDA

Opening Prayer

Welcome, Review Agenda and Learning Objectives

Laying our Foundation: What Does the CDFI Board Need to Do?

Aligning Your Organization and Your Board

Break

Board Membership: Who is on Your Board?

Lunch

A Tale of Two Leaders: The Board Chair and Executive Director

Break

Sharing Essential Information

Facilitating the Work of the Board: The Role of Committees

Assessment and Workplan: What do Successful Native CDFI Boards Need?

Wrap-up

TAB 2

LAYING THE FOUNDATION: WHAT DOES THE CDFI BOARD NEED TO DO?

Laying the Foundation: Building on Your Experiences

In this course, we will examine your Native CDFI boards: are they effective; are they informed; are they engaged; and are they supporting our efforts to move to a next level? We will develop strategies to strengthen our boards and how they operate – looking at board membership and recruitment, the relationship with our board chair, how you communicate with your board, and what committees we have in place.

We will start our work to strengthen our CDFI boards by reflecting on something we are very familiar with – your own experience. Many of us have served on other boards – either CDFI boards, or general nonprofit boards, or both. We want to start our day by looking at these experiences – what has worked on the other boards that you have served on? What created effective board meetings? Did you feel informed? Did you feel that your experience was productive?

Recommendations for effective board operations:

Laying the Foundation: What Does a CDFI Board Need to Do?

Based on your work with your CDFI or lending program, what does the Board of Directors need to do to ensure effective oversight of your CDFI's operations?

What are the responsibilities of the CDFI board?

In some areas, the responsibilities of a CDFI board go beyond general nonprofit board responsibilities. The listing below outlines basic responsibilities of a nonprofit board, and highlights the additional responsibilities of CDFI boards.

What are the Basic Responsibilities of Nonprofit Boards?^{1 2 3}

1. Determine the organization's mission and purpose.
2. Select the chief executive.
3. **Provide proper financial oversight.** *CDFI board fiduciary responsibilities include budget developing and monitoring, reviewing annual audits, establishing fiscal control, and portfolio management. The CDFI board should also approve and review the organization's capitalization plan. Importantly, financial oversight also means understanding and monitoring key sources of financial risk. All boards must develop, follow-up, and revise appropriate policies. As part of its fiduciary responsibilities, the CDFI board is responsible for loan policies and investment policies. Loan policies should include protocols for loan approval, and guidance for the board in approving loans, as well as other risk management tools (such as the risk rating system and loan loss reserves).*
4. Ensure adequate resources.
5. **Ensure legal and ethical integrity and maintain accountability.** *All boards must develop and maintain policies to ensure compliance with relevant laws, regulations, and high ethical standards and then must hold themselves and staff accountable. CDFIs and other nonprofit lenders are subject to a thicket of licensing, disclosure, documentation, and other requirements. In order to ensure compliance with all laws and regulations, CDFI boards must develop a compliance management system, a clear board and management oversight and reporting structure, and related policies.*
6. **Ensure effective organizational planning.** *This is one of the most important roles of the CDFI board. Strategic planning and organizational goal setting guides the organization and provides vision for the future. Part of CDFI planning focuses on helping to find the organization's lending niche and providing guidance on loan products.*
7. Recruit and orient new board members and assess board performance.
8. Enhance the organization's public standing.
9. Determine, monitor, and strengthen the organization's programs and services.
10. Support the chief executive and assess his or her performance.

¹ Boardsource.org

² Chapter 7, Essentials of Governance, Appendix 3, "The Role of the Board of Directors," p. 25; National Community Capital's Operations Guide for Community Development Financial Institutions © 1994.

³ "Key Questions the Board Should Ask and Know about Lending," a paper developed by the NeighborWorks Board Governance Training Task Group, November 2013.

The Role of the **Board** v. the Role of the **Staff**

In looking at the role of the nonprofit board, it is also helpful to distinguish roles and responsibilities from those of the staff. Here, looking at what the board **should not** be doing helps us highlight what it **should** be doing. The following table illustrates some common relationships between staff and board roles and responsibilities:⁴

Staff roles and responsibilities	Board roles and responsibilities
Recommend policy	Approve policy
Manage funds	Approve budget and audit
Review loan requests, make recommendations, approve loans (in some cases)	Approve loans
Guide planning process	Set strategic goals
Implement development plan	Assist with development
Recruit board members	Recruit and approve board members

In general, the board should NOT be involved in day-to-day operations of the organization or micro-manage the executive director or staff.

⁴ Chapter 7, Essentials of Governance, Appendix 3, "The Role of the Board of Directors," p. 25; National Community Capital's Operations Guide for Community Development Financial Institutions © 1994.



BOARD OF DIRECTORS

Excerpted from NeighborWorks® Capital's (NC's) Policy and Operations Manual as Adopted by the Board on 1/10/08:

The role of the Board of Directors as a whole shall be to:

- 1) ensure that NC stays true to its mission and preserves its credibility and independence,
- 2) establish major strategic and operational policies,
- 3) hire, supervise and evaluate the executive director,
- 4) plan for the organization's future,
- 5) monitor progress in meeting mission and strategic and financial goals,
- 6) advocate for the organization by:
 - i) promoting the organization's mission,
 - ii) raising funds,
 - iii) lending professional expertise and/or,
 - iv) serving as a liaison with other organizations.

Each Director shall have the following responsibilities:

- 1) gain understanding of the Business Plan
- 2) participate in Board meetings regularly and reviewing agendas in advance of and in preparation for meetings,
- 3) vote on behalf of the good of the organization and not on behalf of an individual constituency,
- 4) avoid conflicts of interest and self-dealing,
- 5) plan for the organization's future in concert with the priority needs of NC,
- 6) support fundraising efforts,
- 7) act as an ambassador for the organization.

Conflicts of Interest

In looking at the responsibilities of a CDFI board, conflict of interest and self-dealing are often raised as potential issues. A conflict of interest is when the interests of the corporation and a director clash, while self-dealing is a transaction where the director has a direct or indirect material financial interest.⁵

While the potential for conflict of interest and self-dealing exists in all corporations, there may be a greater potential with CDFIs, since board members may be borrowers, investors, and representatives of fellow CDFIs.

The National Community Capital Association (NCCA) Operations Guide recommends taking the following steps to prevent conflict of interest issues:⁶

1. Develop and enforce policies;
2. Educate all board members annually;
3. Utilize disclosure of conflict forms;
4. Interested board members should not vote on a particular transaction when a conflict of interest is identified, but can attend the meeting; and
5. Board members should not contact staff while a loan is being reviewed in which they have a vested interest.

The following Conflict of Interest Policy provides an example of the type of agreement each member of your board should sign annually. Going through this process on a routine basis provides you with an opportunity to systematically review the policy and ensure clarity and commitment from all of your board members.

⁵ Chapter 7, Essentials of Governance, Appendix 3, "The Role of the Board of Directors," p. 26; National Community Capital Association's Operations Guide for Community Development Financial Institutions © 1994. NCCA eventually became Opportunity Finance Network.

⁶ Ibid.

SAMPLE

Conflict of Interest Policy

This Conflict of Interest Policy governs the activities of the board of the Sample CDFI. Questions about the policy should be directed to the President/CEO or to the Chairperson of the Board. It is the duty of all board members to be aware of this policy, and to identify conflicts of interest and situations that may result in the appearance of a conflict and to disclose those situations/conflicts/or potential conflicts to (i) the employee's supervisor (ii) the President/CEO, or (iii) the Chair of the Board, as appropriate. This policy provides guidelines for identifying conflicts, disclosing conflicts and procedures to be followed to assist Sample CDFI in managing conflicts of interest and situations that may result in the appearance of a conflict.

1. **What is a conflict of interest?** A conflict of interest arises when a board member has a personal interest that conflicts with the interests of Sample CDFI or arise in situations where a board member has divided loyalties (also known as a "duality of interest"). The former can cause situations that result in inappropriate financial gain to persons in authority at Sample CDFI which can lead to financial penalties and violations of IRS regulations. Similarly, situations or transactions arising out of a conflict of interest can result in either inappropriate financial gain or the appearance of a lack of integrity in Sample CDFI's decision-making process. Both results are damaging to Sample CDFI and are to be avoided.
 - *Example #1:* A person in a position of authority over the Organization may benefit financially from a transaction between the Organization and the board/staff member; or others closely associated with the board/staff member may be affected financially. Family members, or their businesses, or other persons or the businesses of persons with whom the board/staff member is closely associated, could benefit from similar transactions.
 - *Example #2:* A conflict of interest could be a direct or indirect *financial interest* such as those described above, or a *personal interest* such as the situation where a board member of Sample CDFI is also a board member of another nonprofit or for-profit entity in the community with which Sample CDFI collaborates or conducts business.
2. **Who might be affected by this policy?** Typically persons who are affected by a conflict of interest policy are the Organization's board members, officers, and senior staff. In some cases a major donor could also be in a conflict situation. Sample CDFI takes a broad view of conflicts and the board is urged to think of how a situation/transaction would appear to outside parties when identifying conflicts or possible conflicts of interest.

3. **Disclosure of Conflicts.** Board members will annually disclose and promptly update any disclosures previously made to the Chairperson of the board on an Annual Conflict Disclosure Questionnaire form provided by the Organization that requests them to identify their interests that could give rise to conflicts of interest, such as a list of family members, substantial business or investment holdings, and other transactions or affiliations with businesses and other organizations or those of family members as well as other nonprofit organizations.

Board members are also urged to disclose conflicts as they arise as well as to disclose those situations that are evolving that may result in a conflict of interest. Advance disclosure must occur so that a determination may be made as to the appropriate plan of action to manage the conflict. Staff should disclose to their supervisor or President/CEO and board members should disclose to the board or Chairperson of the board as soon as the person with the conflict is aware of the conflict/potential conflict or appearance of a conflict exists.

4. **Procedures to manage conflicts.** For each interest disclosed, the full board, or the President/CEO or the Chairperson of the board, as appropriate, will determine whether the organization should: (a) take no action or (b) disclose the situation more broadly and invite discussion/resolution by the full board of what action to take, or (c) refrain from taking action and otherwise avoid the conflict. In most cases the broadest disclosure possible is advisable so that decision-makers can make informed decisions that are in the best interests of the organization.
- When the conflict involves a decision-maker, the person with the conflict (“interested party”): (i) must fully disclose the conflict to all other decision-makers; (ii) may not be involved in the decision of what action to take (e.g., may not participate in a vote) but may serve as a resource to provide other decision-makers with needed information.
 - In some cases the person with the conflict may be asked to recuse him/herself from sensitive discussions so as not to unduly influence the discussion of the conflict.
 - In all cases, decisions involving a conflict will be made only by disinterested persons.
 - The fact that a conflict was managed and the outcome will be documented in the minutes of board meetings if the conflict was related to a board member, and reported by the President/CEO to the board/Chair of the board/other appropriate committee of the board (e.g., Audit committee) if the conflict was related to a staff member.

- The Chairperson of the board and President/CEO will monitor proposed or ongoing transactions of the organization (e.g., contracts with vendors and collaborations with third parties) for conflicts of interest and disclose them to the Board and staff, as appropriate, whether discovered before or after the transaction has occurred.

ANNUAL CERTIFICATION AND DISCLOSURE OF POTENTIAL CONFLICTS

I certify that I have read the Sample CDFI's Conflict of Interest Policy. I agree to abide by the policy and promptly disclose any actual or potential conflicts or situations which might create the appearance of a conflict promptly in accordance with policy.

Name _____

Signature: _____

Date: _____

The below area is used to report changes to any previously-disclosed possible conflict of interest and/or any possible new conflicts of interest.

Name _____ Title _____

1. The Sample CDFI Conflict of Interest Policy was explained and I have the following possible Conflict of Interest to report. (If more space is needed, attach a separate report.)

Signature _____ Date _____

2. Resolution of the possible Conflict of Interest

A. Recommendation of President/CEO, Chairperson of the Board, or Board of Directors

Signature _____ Date _____

TAB 3

ALIGNING YOUR ORGANIZATION AND YOUR BOARD

Aligning Your Organization and Your Board

As you know, growing and maturing your CDFI to the next level is not an easy task. Organizations often encounter many “growing pains” as they take on more staff, develop and offer more loan products, provide more services, reach more community members, develop more internal systems, and track the impacts of their growing organization.

As you grow, you need to make sure that your board is on the same page as your organization – that the board supports your efforts, understands what it takes to get to the next level, and the growing pains you may encounter. If your board is at a very different stage of development, it can significantly hinder your efforts to move to the next level.

In this activity, we will be focusing on *alignment* – specifically how aligned your board is to your organization. Aligning your organization with your board is an art or a balancing act. Once you see whether you are well-aligned, or if there is a mismatch, we will brainstorm strategies to improve alignment, and work to ensure that the board effectively understands and supports the work of your CDFI.

We will first review a spectrum of organizational development together. At one end of the spectrum, we have a **newly formed organization**. Can you recall when your organization was at this stage? What characterizes this organization?

Characteristics of New Organization

Organizational Elements	Characteristics
Leadership	
Staffing	
Organizational structure	
Funding	
Loan products	
Tracking systems	
External relations	
Board	

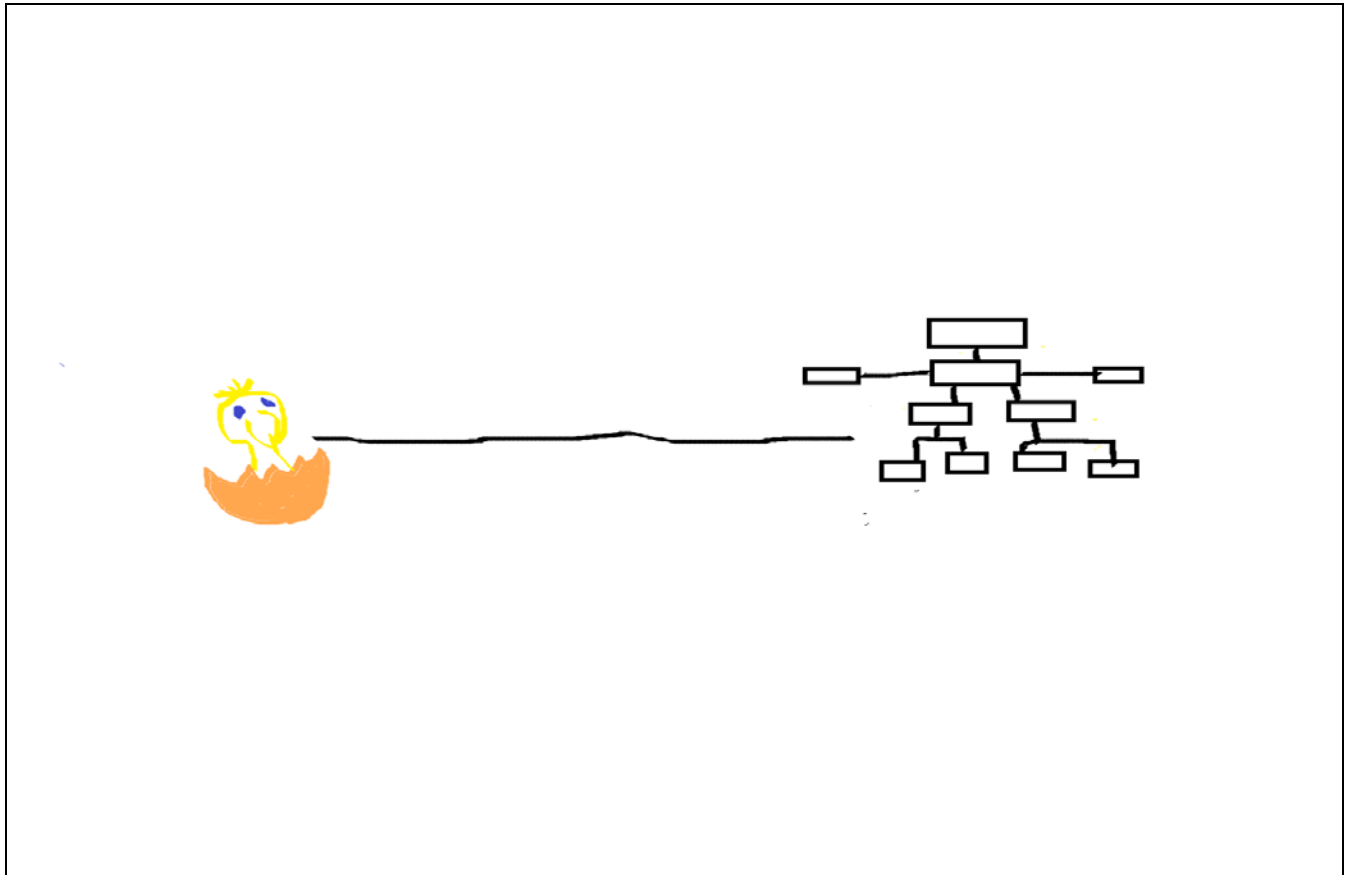
At the other end of the spectrum, we have a large, experienced CDFI. OFN, Craft3, Oweesta, and RCAC are examples of organizations at this end of the spectrum. (These organizations are briefly described in the ‘Additional Resources’ section under the final tab of this binder.) What characterizes these organizations?

Characteristics of Large, Experienced Organization

Organizational Elements	Characteristics
Leadership	
Staffing	
Organizational structure	
Funding	
Loan products	
Tracking systems	
External relations	
Board	

Where is your organization?

In the spectrum below, use a green dot to indicate where you would place your organization. Then use a blue dot to indicate where you would place your board.



Is there alignment?

Working with a partner from another organization, please discuss the following questions together:

1. Where is your organization on the spectrum?
2. Where is your board on the spectrum?
3. Is there a mismatch? Is your organization at a different stage than your board?
4. Do you ever see this as a problem in working with your board?
5. What are some strategies you can implement to better align your board with your organization?

Overview: Organizational Development Framework¹

<i>Organizational Area</i>	<i>Stage 1 Creativity/Startup</i>	<i>Stage 2 Direction/Establishment</i>	<i>Stage 3 Delegation/Institution</i>	<i>Stage 4 Consolidation/Permanence</i>
Organizational Growth Issues	Survival/become known	Expand range of services Build infrastructure	Develop strategic approach Examine lines of business	Retain mission focus Continue to reinvent organization
Culture Characterized by	Family or Movement	Growth in many directions leads to “dysfunctional family”	Formalized relationships, team identity, competence	Aligned culture through organization, desire for performance, shared leadership
Top Leadership Characterized by	Individualistic	Directive	Delegative	Communicative
Organizational Structure	Informal	Centralized, functional divisions	Decentralized, cross functional teams	Streamlined for Effectiveness
Organizational Systems	Few systems	Basic systems	More sophisticated systems	Major investment in systems/technology
Resources	<ul style="list-style-type: none"> Few sources of operating revenue Limited capital 	<ul style="list-style-type: none"> More diverse revenue/capital sources Beginnings of earned income 	<ul style="list-style-type: none"> Repeat/multi-year funding/capital sources Access to larger sources 	<ul style="list-style-type: none"> Approaching self-sufficiency More sophisticated capital
Product/Program	<ul style="list-style-type: none"> Single product Basic approach 	<ul style="list-style-type: none"> Multiple products/programs Develop more sophisticated approach 	<ul style="list-style-type: none"> Eliminate some products/programs Performance standards/trend analysis influence product design 	<ul style="list-style-type: none"> Focus program on core competencies More sophisticated analysis of environment/trends
External Relations	Activist	Reactive	Recognized	Proactive
Growth Issues	Crisis of multiple roles	Crisis of direction	Crisis of control	Crisis of meaning
Transition Characterized by	Mourning over loss of activism	Mourning over loss of family	Mourning over loss of access to director	Fear of loss of focus on principles and creativity

¹ Developed by Adina Abramowitz. Consulting for Change

Changing Leadership & Organizational Culture

<i>Organizational Area</i>	<i>Stage 1 Creativity/Startup</i>	<i>Stage 2 Direction/Establishment</i>	<i>Stage 3 Delegation/Institution</i>	<i>Stage 4 Consolidation/Permanence</i>
Organizational Growth Issues	Survival/become known	Expand range of services Build infrastructure	Develop strategic approach Examine lines of business	Retain mission focus Continue to reinvent organization
Top Leadership Characterized by	Individualistic	Directive	Delegative	Communicative
Management Focus	The Cause Raising Funds/Interest	Growth	Operational Efficiency	Consolidation
Executive Director's Focus	DO EVERYTHING	BE OPPORTUNISTIC Let go of technical pieces	DIFFERENTIATE between leadership and management	EXTERNAL FOCUS
Board's Focus	Issues of formation, operational details	Issues of program, structure	Issues of market, relationships	Issues of strategy, long-term value
Board Membership & Structure	<ul style="list-style-type: none"> Founders Board & Loan Committee Function as staff 	<ul style="list-style-type: none"> Recruit expertise & relationships Add Committees: Executive, Personnel, Fundraising, etc. Sounding board for ED 	<ul style="list-style-type: none"> Recruit Leaders Add Finance Committee Strategic Planning 	<ul style="list-style-type: none"> Recruitment as ongoing function Streamline and reorganize committee structure Long term vision and performance
Communication Style	<ul style="list-style-type: none"> Face to Face Persuasive; Leader's Personal Style Executive Director and Board Leadership 	<ul style="list-style-type: none"> Staff Meetings; limited written materials Beginnings of organizational positioning and image Executive Director and Fund-Raiser 	<ul style="list-style-type: none"> Team Meetings; more written memos and e-mail Professionally produced communication materials Dedicated communications staff person 	<ul style="list-style-type: none"> Use technology for internal communications; publications for external purposes Communications Plan & Network in place; Clear leadership position on key mission issues In-house communication staff with Executive Director
Culture Characterized by	Family or Movement	Growth in Many Directions leads to "dysfunctional family"	Formalized relationships, team identity, competence	Aligned culture through organization, desire for performance, shared leadership
Diversity	"Everybody looks alike"	Work differentiation: Diversity of skills, experience	Diversity in work styles/goals issues emerge	Diversity in management issues emerge

TAB 4

BOARD MEMBERSHIP: WHO IS ON YOUR BOARD?

Board Membership: Who is on Your Board?

One key piece of aligning your board with your organization is looking at board membership. Who is on your board? The composition of the board of a newly formed organization often looks very different from the board of a more established, larger CDFI. As your CDFI evolves and grows, you should be looking for different skills and experiences. Having a good mix of committed board members can help your organization's long-term sustainability by assisting you to develop new partnerships, access different funding sources, and focus on the future direction for the organization.

We recognize that in many Native communities, resources (which may include human capital) are scarce. It is often hard to find committed, qualified board members to support your work as you move to the next level. Often, qualified community leaders sit on many boards. Can you picture these individuals in your community or on your current board? Do these individuals, while qualified, have the time, energy, creativity or even passion to sit on your board?

Some of your boards are governed by mandates, which specify that certain individuals must sit on the board (such as a representative from the tribal president's office), or who can serve on your board. How can you address these mandates, and have the board expertise and representation that you need? For some, a non-voting advisory board may be the answer to providing expertise without unduly influencing the policy of the organization.

In this section, we will start by looking at who is on your board now – and what they represent. What are they bringing to the table? We will then brainstorm different skills and affiliations that could strengthen your board, and identify specific people that you could recruit to join the board. Finally, we will brainstorm strategies to find and recruit board members who can work to support your organization's growth and development. Brainstorming recruitment strategies for new members can help the organization to draw from a broader pool of potential board members.

Analyzing your board membership: who do you have?

Current Board Members	Who/what do board members bring to your CDFI (skills, associations, experiences)?

Seven Tips for Building Strong CDFI Boards

1) Recruit board members with lending or banking skills

One professional skill that CDFIs often look for in recruiting board members is banking and lending experience. It is important to have board members who really understand lending and the lending process.

2) Look for community development banking and lending experience

We should recognize that there are different types of banker and lenders. Because of a CDFI's mission, it is often helpful to have community development banking experience. Many CDFIs have other CDFI leaders on their boards, and some choose to have Community Reinvestment Act (CRA) compliance officers or outreach managers.

3) Look for members who represent and understand your target market

In focusing on lending experience, it may be easy to forget the importance of having board members who understand and represent your target market. Since a CDFI is always balancing its mission with the risks of lending, it's critical that there are board members who will keep the organization focused on mission and ensure that the CDFI is lending to its target market. Many organizations ask clients, former borrowers, or others who are familiar with their target market to join their board.

4) Think strategically about different areas and expertise

A critical role of the CDFI board is to provide strategic direction for the organization, and it is important to have board members who can think strategically, and assist the organization in making strategic decisions. While lenders and former borrowers may come to mind when recruiting new board members, it's also important to think about where your CDFI is heading, and what potential board members can help you get there. Are you developing a new product for example, or starting to serve a new market? Is there someone with expertise or relationships in this area that can support and help guide your efforts?

5) Look for different perspectives to “shake it up”

CDFIs should look for different perspectives to stretch traditional thinking and benefit from best practices in other industries or businesses.

6) Consider developing a matrix that outlines what skill sets, affiliations, and other expertise that you're looking for in board members

A grid can help capture what you're looking for in board members, including diversity, background, constituency representation, and experience. Consider including specific committees that need additional expertise to fully benefit your organization. A sample grid, provided by NeighborWorks Capital, is provided in *Appendix 1*.

7) Remember that bylaws may be changed

Often, CDFIs can feel locked into their board structure (including number of board members, terms, and term limits). As you consider how to make your board more effective, remember that the bylaws can be changed and, in fact, should be reviewed every few years to determine if updates are necessary.

Skills and Affiliations

When evaluating board composition, we want to look at **professional skills**, as well as **affiliations** (what segments of your community should board members represent?).

What are some professional skills you need on your CDFI boards?

What are some affiliations that would strengthen your board?

Who do you need to recruit?

Skills/Affiliations (from previous page)	Yes, we have this	We need to recruit for this	Who could we recruit? (names)

Recruitment strategies

How can you go beyond the typical leaders in your community to find the “diamonds in the rough” that you need for your board?

The recruitment and vetting process

Along with thinking strategically about who should be on the board, effective CDFI governance also means developing and carrying out a thoughtful, deliberate recruitment and vetting process.

For some organizations, this process may be fairly informal. At Fahe, a regional housing CDFI serving Appalachia, for example, the executive director always keeps his eye out for new board members. He may nurture relationships for years before inviting someone to join his board. In thinking about potential members, he focuses on needs and gaps on the board that new members can fill.

Two other CDFIs, NeighborWorks Capital and RCAC, have more formalized recruitment, vetting, and nominations processes. These processes are outlined below:

NeighborWorks Capital Process	The RCAC Process
<ul style="list-style-type: none">• Executive director is often delegated the responsibility of identifying potential board members• Executive director or board member make initial contact with potential member• Executive director determines interest of candidates, prioritizes based on interest• Nominating committee discusses candidates• Follow-up with candidates with general information about the organization (annual report, board packet, strategic plan, roles and responsibilities of board and committees)• Make sure candidates can commit the time• If candidate is interested, they will be nominated (chair of nominating committee will make presentation to the board) and board will entertain comments and concerns	<ul style="list-style-type: none">• Board and staff give recommendations to governance committee• Governance committee reviews bios and vets potential applicants• Potential applicant applies (fills out an application, which outlines board responsibilities and commitments)• Governance committee reviews applications and provides recommended list to the executive director• Executive director and one board member interview potential candidate(s)• Recommendations are brought to the full board for a third vetting process• If candidate passes the third vetting process, an invitation is extended to attend the next board meeting.

TAB 5

A TALE OF TWO LEADERS: THE BOARD CHAIR AND EXECUTIVE DIRECTOR

The Relationship between the Board Chair and Executive Director

The relationship between the board chair and executive director is critical for smooth, effective board operations, and alignment of the board and organization. These two leaders need to be on the same page. It is the responsibility of both leaders to cultivate and foster this relationship.

Much of the relationship (like all relationships) centers on communication. It's not enough to just have the board chair prepare the board agenda every month, or run the board meetings. To effectively chair the board and represent the organization, the chair needs to be informed. He or she needs to know where the organization is, what's going well, and what challenges the organization is facing.

According to BoardSource, an organization working to promote effective nonprofit boards should consider the following:

Both the chair and the chief executive of the organization need to support, consult, and complement each other. Both have their own responsibilities – the chief executive manages the operational activities and the chair leads the board. Both share power in their mutual pursuit to advance the mission of the organization.

To make this happen, they must communicate openly and regularly. This partnership needs constant attention. Personalities change but the positions remain. Each partner needs to adapt to and cultivate the working relationship. Think of the chief executive as the gatekeeper for the staff and the chair as the gatekeeper for the rest of the board. This helps to prevent miscommunication and it allows both leaders to be aware of each other's needs.⁸

References

- Robert L. Gale, *Leadership Roles in Nonprofit Governance* (BoardSource 2003).
- Douglas C. Eadie, *The Board-Savvy CEO* (BoardSource 2003)

As we begin to examine the relationship between the executive director and the board chair, let's take a look at the responsibilities of the board chair. Keep these following questions in mind as you review the list of responsibilities:

- Would you agree that these are the responsibilities of the chair?
- Is your chair aware of these responsibilities?
- Does your chair fulfill these responsibilities?

⁸ 2010 BoardSource.

RESPONSIBILITIES OF THE BOARD CHAIR⁹

1. Serves as the chief volunteer officer of the organization.
2. Is a partner with the executive director in achieving the organization's mission.
3. Provides leadership to the board of directors, who set policy and to whom the chief executive is accountable.
4. Chairs meetings of the board after developing the agenda with the chief executive.
5. Encourages the board's role in strategic planning, financial accountability, fund raising, evaluation of the chief executive, and evaluation of program performance.
6. Appoints chairpersons of committees.
7. Serves *ex officio* as member of committees and attends their meetings when possible.
8. Discusses issues confronting the organization with the chief executive.
9. Helps guide and mediate board actions with respect to organizational priorities and governance concerns.
10. Reviews with the chief executive any issues of concern to the board.
11. Evaluates the effectiveness of board members.
12. Performs other responsibilities assigned by the board.

From Dorsey, Eugene C., *The Role of the Board Chairperson*

Now, let's take the pulse of your board chair – executive director relationship. We're going to have executive directors pair up with executive directors, staff pair up with staff, and board members pair up with board members – to dialogue about the questions below:

⁹ © 2004 BoardSource, www.boardsource.org. Reprinted with permission. Text may be reproduced by Neighborhood Reinvestment Corporation only for internal use with proper attribution to BoardSource.

A few questions about your board chairperson
For executive directors

(1) Who is your board chairperson?

(2) How was your board chair selected?

(3) How well do you collaborate with your board chair?

(4) Name some ways you could improve your communication and collaboration with your board chair:

**A few questions about your board chairperson
For CDFI staff**

(1) Who is your board chairperson?

(2) How was your board chair selected?

(3) How well does your executive director work with your board chair?

**(4) Name some ways that your executive director could improve
communication and collaboration with your board chair:**

**A few questions about your executive director
For CDFI board members**

(1) Who is your board chairperson?

(2) How was your board chair selected?

(3) How well does your executive director work with your board chair?

**(4) Name some ways that your executive director could improve
communication and collaboration with your board chair:**

Improving the Executive Director – Board Chair Relationship

Based on the conversations we’ve just conducted about the executive director – board chair relationship, there is always room for improvement in this relationship.

In working to strengthen this relationship, it is helpful to identify challenges to a good working relationship. In order to have effective communication and a good working relationship, we need to be mindful of these differences and issues and their impact on us. Some examples are listed below but feel free to add your own.

Challenges
<ul style="list-style-type: none">• Age and experience
<ul style="list-style-type: none">• Different personality styles
<ul style="list-style-type: none">• Gender differences

Next, we will identify what we can do to improve communication and strengthen the executive director – board chair relationship. Some possible strategies are listed below but feel free to add your own ideas.

Strategies to improve executive director – board chair relationship
<ul style="list-style-type: none">• Go to lunch regularly
<ul style="list-style-type: none">• De-brief after each board meeting
<ul style="list-style-type: none">• Conduct a “True Colors” analysis to learn more about each other’s leadership styles

TAB 6

SHARING ESSENTIAL INFORMATION

Sharing Essential Information

Sharing the right amount of information is critical to effective board governance. Most organizations use a selection of reports, ratios, and dashboards to work with their board effectively. The board needs the information that staff produces, organizes, and provides to effectively make decisions and carry out their roles. The correct amount and kind of information can allow the board to fulfill its obligations without micromanaging staff.

In this section, we will look at:

- Tips for effective information sharing
- Reports to share with the board
- Ratios to share with the board
- Critical business measures and the dashboard concept

First, we'll take a look at what information you're currently providing.

What information do you provide for the board and committees?

--

Designing a board information system¹⁰

Good governance depends on enlightened decision-making. Board members in turn need to be knowledgeable about the organization's status and needs if they are to make sound decisions that advance its mission. But boards often say that the information they receive hinders rather than facilitates good governance and strong leadership. They protest that they are overwhelmed with large quantities of irrelevant information, that they don't get enough information, or that they receive material too late to devote serious attention to it. An effective board information system should focus on decision-making, stimulate participation, and support an appropriate balance of responsibility between board and staff.

Types of board information

Management consultant John Carver describes three types of information:

- **Decision information** is used to make decisions, such as establishing selection criteria for the chief executive. It looks to the future and is not designed to measure performance.
- **Monitoring information** enables the board to assess whether its policy directions are being met. It looks to the past and provides a specific survey of performance against criteria. An example is an annual review of an organization's strategic plan.
- **Incidental information** is for the general information of the board and is not related to board action. Committee reports are frequently used in this category.

Too often, board information is primarily incidental information. Although such material is useful for maintaining an overall impression of the administration of the organization, it is usually not specific or substantive enough to help board members make decisions or monitor the organization's success at carrying out its mission.

¹⁰ <http://www.iaced.org/upload/newsletters/How%20to%20Keep%20Board%20Members%20Informed.doc>.

Characteristics of good board information¹¹

Barry S. Bader, a consultant and author specializing in hospital governance, identifies seven guidelines for developing effective board information:

1. **Concise**
Is the information communicated as quickly or as briefly as possible?
2. **Meaningful**
Is the information presented in relationship to a significant factor, such as a goal set by the board, past performance, or comparative data?
3. **Timely**
Is the information relevant to the current agenda?
4. **Relevant to responsibilities**
Does the information help the board or board committee discharge its responsibilities?
5. **Best available**
Is the information the best available indicator of the situation or condition being described?
6. **Context**
Is it clear why this information is important?
7. **Graphic presentation**
Could the information be presented better graphically than in words?

Determining what reports and ratios to share with the board are key parts of information sharing. Please review the different types of reports below, and indicate which reports you currently share:

¹¹ <http://www.iaced.org/upload/newsletters/How%20to%20Keep%20Board%20Members%20Informed.doc>.

Reports to share with the board^{12 13}

Type of report	Yes, we provide	No, don't provided	Will consider
Loan portfolio performance report			
Loan delinquency and performance reports showing overall delinquency levels, delinquency by product type, and details or showing overall delinquency levels			
Loan risk rating analysis showing estimated risk levels for loans and recommended loan loss reserve levels based on this risk			
Spread analysis showing interest and fee yields for given loan products compared to the cost of funds for the dollars supporting those products			
Asset-liability management analysis showing how the duration of loan assets being held on the books matches up with the term of the investments funding those loan assets			
Liquidity analysis showing lending capital availability and expected deployment and repayment volumes			
Financial statements including balance sheet, income, and cash flow statements			
Fund models and/or organization-wide financial models projecting how the organization will fare financially if it continues to follow its current business strategy, including "stress tests" to see what will happen to cash, profitability, and other financial indicators if key variables (such as levels of loan deployment, operational grant funding, loan performance, levels and terms of investment in the loan fund, etc.) depart from the historical norm			
Financial audits, loan review reports, and organizational assessments prepared by qualified, independent third parties.			
Capitalization plan update			
Strategic and operational plan progress update			

¹² "Key Questions the Board Should Ask and Know about Lending," a paper developed by the NeighborWorks Board Governance Training Task Group, November 2013.

¹³ Conversation with Lisa Wagner, Independent consultant and former executive director, Wind River Development Fund, April 2014.

Please review the different types of ratios below, and indicate which ratios you currently share:

Ratios to share with the board

Ratio	Yes, we provide	No, don't provide	Will consider
Equity-to-total capital ratio			
Loan loss reserve ratio			
Deployment ratio			
Self-sufficiency ratio			
Liquidity ratio			
Operating liquidity ratio			
Delinquency ratio			

Effective reporting to the board: critical business measures¹⁴

Craft3 focuses on “critical business measures” in reporting to its board – which capture the business and operating performance items that matter to organizational health and sustainability. These measures may include income indicators, expense indicators, and balance sheet indicators, as outlined below.

Income indicators:

- Total revenue, Year-to-Date, as compared to budget
 - *Is actual income higher or lower than budget?*
 - *Why?*
- How much earned income are you generating?
Self-Sufficiency Ratio:
$$\frac{\text{Earned Income}}{\text{Operating Expenses}}$$
- Composition of income: More diverse revenue sources is better

Expense indicators:

- Total expenses, Year-to-Date, as compared to budget
 - *Are actual expenses higher or lower than budget?*
 - *Why?*
 - *Check it out line item by line item*
- What are the expense *trends* over the last year?
 - *Is a small problem turning into a big problem?*

¹⁴ Conversation with Mike Dickerson, Vice President of Craft 3, April 2014, and Craft3 PowerPoint presentation on “Establishing and Measuring Critical Business Measures”

Balance sheet indicators:

- Cash Reserves: unrestricted cash on-hand
 - If your funding dried up, how many months could you continue?
- Net Assets/Total Assets ratio
 - Do you have debt? Are you over-leveraged?
- Receivables
 - Are you getting paid on time? Do you have a collection problem?
- Asset Quality
 - For loan funds, delinquencies, charge-offs, loan loss reserve –
 - Are asset quality indicators *trending up or trending down*?

Craft3 has outlined five key steps to developing the performance measurement system¹⁵:

- Select the performance measures that matter most for your organization
- Have simple, reliable protocols for collecting the data – automate as much as possible
- Create a standard report format
- Designate a person *responsible* for creating the report monthly
- Ensure staff review the report monthly; board quarterly (or at every meeting).

¹⁵ Craft3 PowerPoint presentation on “Establishing and Measuring Critical Business Measures”

CRITICAL BUSINESS MEASURES EXAMPLES

Organizational Performance	Measure	FY 2012 Goal	Data Source	Definition
New grant commitments	Dollars	\$1,000,000	Grant awards signed during the quarter or from Compliance/Grants Management system	All new grants to provide for program or operating expenses awarded
Loans approved/closed	Dollars	\$1,000,000	Loans closed report from portfolio management system	Total loans closed for all loan products
Gross loans outstanding	Dollars	\$2,000,000	Loan outstanding report from portfolio management system	Gross loans outstanding for all loan products
Portfolio Return on Investment	Percent	7.2%	Unaudited quarterly financial report	Total revenue from the loan portfolio including interest and fees divided by the average of the beginning and ending balance of the Gross Loans outstanding
Earned Income Ratio	Percent	75%	Unaudited quarterly financial report	YTD non-grant income divided by YTD operating expenses expressed as a percentage. Operating expenses include the provision for loan losses and depreciation.
Employee satisfaction	Percent	85%	Annual employee survey	Overall employee satisfaction rating, as recorded on annual internal survey

What are the five top critical business measures for your organization?

The “Dashboard” Concept¹⁶

Like the critical business measures that Craft3 uses to frame information-sharing and reporting, the dashboard concept also focuses on key pieces of information to track and share.

The dashboard concept is based on the idea that when you turn on a car, a bunch of lights and indicators tell you, almost instantly, what you need to know to operate the vehicle safely. Nonprofit leaders can develop a dashboard to tell them, at a glance, whether the organization is in good shape. A car’s dashboard will tell you how much gas is in the tank and if a door is open. It won’t tell you how much room is in the glove compartment or how clean the floor mats are.

Likewise, an organization’s dashboard should focus on need-to-know, not nice-to-know, information about an organization’s basic status. Of course, the dashboard must be developed for your own organization, and it must be used properly. It is not a substitute for attentive leadership or organizational vision.

Dashboards are useful in two different ways. First, they serve as routine checkups. At regular times each year, your organization will evaluate a particular set of indicators. Also, the board should re-evaluate indicators and revise them as necessary. A dashboard can also serve as a trip-wire. If a warning light goes off, the board will be prompted automatically to investigate and take appropriate action.

The benefits of the dashboard include:¹⁷

1. Save time by reviewing highlights.
2. Track progress toward goals.
3. Understand system dynamics.
4. Spot potential problems.
5. Identify patterns and anomalies among similar entities.
6. Identify patterns and anomalies among diverse factors.
7. Expand board member comfort zones.
8. Bring all board members up to speed around a shared knowledge base.
9. Maintain a governance perspective.
10. Reinforce board oversight by linking to structure and process.

Copies of dashboards that NeighborWorks Capital uses are provided in *Appendix 2*.

¹⁶ © 2004 BoardSource. www.boardsource.org. This metaphor has been adapted from Richard P. Chait et al, *Improving the Performance of Nonprofit Governing Boards* (Oryz Press, 1996).

¹⁷ © 2012 BoardSource. The Nonprofit Dashboard: Using Metrics to Drive Mission Success.

TAB 7

**FACILIATING THE WORK OF THE BOARD:
THE ROLE OF COMMITTEES**

Effective Board Committees

Effective board committees play a critical role in effective board operations. Much of the board's work is carried out through committees, which drill down into specific areas of organizational operations. Once the committees do their work (review financial statements, make initial loan approvals, monitor the loan portfolio, for example), they then bring their findings and recommendations back to the board. The full board can rely on committees to get into the details of operations, freeing the board to focus more on strategic direction and bigger questions.

In focusing on committees, we come back to alignment – the number of committees in place, and which committees you have in place should fit the development of your CDFI. If a CDFI is young and small, you don't need (or want) too many committees. At the same time, as you grow and develop, you need to make sure your committees match the sophistication of the organization. We will look at:

- What committees do you have in place?
- What are some recommended committees?
- The importance of the loan committee

Committees are often where a CDFI can access technical expertise, since committee members may not be required to be board members. Some CDFIs' loan committees are comprised solely of board members, while non-board members serve on the loan committee of other organizations. Two non-board members serve on the loan committee of NeighborWorks Capital, for example, a banker and a real estate developer. Many CDFIs encourage every board member to serve on at least one committee.

Sample committee materials are provided in *Appendix 3*.

What committees do you have in place?

Please list your committees, what they do, and how often they meet:

Committee	What does it do?	How often does it meet?

Tips for effective committees:

According to BoardSource, the following suggestions can help ensure that committees help the board do its work better:

- Look at the effectiveness of your present committee structure, and what committees you have. Eliminate any unnecessary committees.
- Consider turning some committees into task forces with specific time frames.
- Draft a clear job description for each committee. Do not allow the committees themselves to determine their charter.
- Choose committed members who can advance the objectives set for the committee and who are able to collectively participate in the work.
- Consider having non-board members serve on committees to provide technical expertise and different perspectives.
- Set meeting schedules far in advance, and take advantage of electronic communication and virtual meetings.
- Set term limits for committee members.
- Regularly assess the productivity of the committees. Don't tolerate substandard results.

Taking a look at CDFI committees

	RCAC	FAHE	NW Capital	NH Community Loan Fund
Standing committees				
Executive	x			x
Finance	Whole board	x	x	x
Loan	x	x	x	x
Portfolio management			Considering	
Audit	x			x
Governance	x			x
Fund development				x
Ad hoc committees				
Strategy/strategic planning	x	x		x
Membership strategy		x		
Personnel			x	
New product			x	x
New markets tax credit	x			
New initiatives	x			x
Fund development	x			
Vested for growth				x
Business investment group				x

A description of some of these key committees is provided below:¹⁸

- **Loan committee** - makes approval decisions on loans that go to committee; reviews and makes recommendations to the Board of Directors on revisions to the loan policies.
- **Portfolio management committee** - reviews portfolio performance; discusses risk mitigation strategies for problem loans (such as extensions and workouts); sets loan loss reserve levels; establishes portfolio management aspects of loan policies and procedures. Note that very often, one committee will take on the functions of both the “loan committee” and “portfolio management” committee as described here.
- **Finance committee** - assesses overall financial performance of the lending lines of business, set investment and financial management policies. This committee could also be where proposed debt investments in the loan fund are reviewed, examining the impacts of receiving such debt on the financials and reviewing any covenants or performance requirements in the agreement. Boards are also responsible for selecting the auditor, reviewing the performance of the auditor and ensuring the independence of the auditor, and discussing audit results with the auditor. Separate audit committees are sometimes formed for this purpose.

¹⁸ "CDFI Loan Policies and Procedures - Portfolio Management Series Webinar" developed under the CDFI Fund Capacity Building Initiative, developed by NeighborWorks America and the Carsey Institute.

A focus on the loan committee

One critical committee for CDFIs is the loan committee. Some CDFIs have a loan committee and a portfolio committee, or both. We will begin this section by observing an interview with a board member of a large, experienced CDFI – about her loan committee experience.

Interview with loan committee member – questions:

1. How often does your loan committee meet?
2. How do you meet (in person, by phone)?
3. How many people serve on your loan committee?
4. On average, how many members attend each meeting?
5. What materials are you given for each meeting? When?
6. What does a typical meeting look like?
7. What is effective about your loan committee operations?
8. What is troubling or challenging about your loan committee work?
9. Why do you like serving on the loan committee?

The Loan Committee – Interview/Observations Notes

[illegible]



Quick Tips

Functions of a Loan Committee¹⁹

Loan Committee's Business – The Committee approves loans. But the Committee's loan approval is only one end result of much collaboration and division of labor between Staff, Loan Committee and Board. Although there is no one right way to separate responsibilities between these three groups, the following are suggested responsibilities, which may be appropriate for the Loan Committee.

Loan Committee Responsibilities

- ✓ Provide an objective hearing for all loan proposals under consideration.
- ✓ Require clarification of assumptions underlying the loan proposal.
- ✓ Determine loan conditions that are needed to strengthen the prospective loan's likelihood of repayment.
- ✓ Approve loans subject to Board approval (if applicable).
- ✓ Amend loan terms as appropriate.
- ✓ Restructure troubled loans under certain circumstances, subject to Board approval.
- ✓ Review the status and health of the loan portfolio.
- ✓ Monitor the status of the CDFI's capitalization and other risk management issues.
- ✓ Review and approve loan and portfolio management policies including underwriting criteria, loan monitoring procedures and risk management policies sometimes subject to Board approval.
- ✓ Articulate general lending policies to the Board.

Loan Committee Policies – The Committee policies are frequently developed jointly by the Loan Committee and Staff and then recommended to the Board for approval. Loan Committee policies do not need to be a detailed listing of underwriting criteria, loan-pricing procedures, default provisions, and risk management.

Loan Committee Policies – Below are some of the areas that may be included in policies.

- ✓ Brief description of the function of the Loan Committee.
- ✓ Structure and membership of the Loan Committee; including requirements of the Committee members, chair and vice-chair, number of committee members and their terms, the nomination process, and the grounds and process for removing a Committee member.
- ✓ How Loan Committee meetings are to be conducted (frequency of meetings, notice provisions regarding scheduling special meetings, policy regarding minutes, and what constitutes a quorum).
- ✓ Policies controlling Loan Committee actions (a quorum is needed to approve, decline or table a credit, policies governing how to proceed with a tabled credit, what action if any is required regarding loan feasibility reports, how many days in advance of Loan Committee meetings the Committee package mailings must be received by members, etc.)
- ✓ Loan Committee reporting requirements (loan portfolio reports to the Board, special reports at the Board's request, etc.)

¹⁹ National Community Capital Association (now Opportunity Finance Network).

Qualities of a Good Loan Committee

- Staff and Committee preparation before Loan Committee Meetings
 - ✓ Consistent attendance by members of the Loan Committee.
 - ✓ Staff must come prepared to answer tough questions with complete and honest answers. They should have a thorough understanding of all the information presented in the memo.
 - ✓ Members must read the information before coming to the meeting. The staff depends on the members to give feedback and raise issues that may have gone unnoticed by the staff.
- The Committee Chairperson
 - ✓ Sets the tone for the meeting.
 - ✓ Timekeeper.
 - ✓ The most experienced lender is not necessarily the best Chair.
 - ✓ The Chair's skills in encouraging participation from all Loan Committee members should be a large premium.
- Composition of the Loan Committee
 - ✓ The make-up of the Committee should adequately represent both community and technical perspectives.
 - ✓ The racial and gender compositions should mirror that of the community it serves.
 - ✓ A balanced Committee will ensure a level of fairness and objectivity.
 - ✓ The existence of mutual respect for the respective skills and values of staff and Loan Committee members.

TAB 8

WHAT DO SUCCESSFUL NATIVE CDFI BOARDS NEED?

Board Practices – Good, Bad, and Ugly

As boards evolve, they develop certain practices and methods of operation. In most cases, these are positive developments, but not always. It is important to identify practices that help to strengthen your organization's health rather than hinder its impact.

For example, a board might benefit from the following positive practices:

- Developing orientation materials for new board members
- Planning for training and professional development opportunities for both staff and board
- Setting performance goals and clear evaluation standards by which the executive director can be evaluated and compensated

Other practices that may not be as positive and may need to be addressed include:

- Board members breaking protocol by engaging with staff who go around the executive director or established chain of command
- Micro-managing the executive director and staff
- Frequent board and committee member absences
- Excessive use of stipends and scheduling board meetings just to get paid

Assessment and Initial Workplan			
Elements of a successful board	Yes, we have this in place	We need to work on this	Next step
We have the right members on our board at this time, representing the professional skills and affiliations that we need.			
Our board members have been sufficiently trained to provide effective oversight.			
Our board members are comfortable as our CDFI moves to the next level.			
The board chair understands his/her role and responsibilities and carries them out effectively.			
There is good, regular communication with the board chair.			
We have regular, productive board meetings.			
Our board meeting agendas are clear and effective.			

Elements of a successful board	Yes, we have this in place	We need to work on this	Next step
We have effective communication with our board through board packets and a “dashboard.”			
We have effective committees in place (the right committees, not too many)			

TAB 9

APPENDICES

APPENDICES

Appendix 1 Sample board of directors grid

Appendix 2 Sample dashboard materials

Appendix 3 Sample committee materials

**NEIGHBORWORKS CAPITAL ,
FINANCIAL DASHBOARD ,
Mar 2014 ,**

BALANCE SHEET					
	<u>Mar 2014 YTD</u>	<u>FY2014 Budget</u>	<u>2013</u>	<u>2012</u>	
ASSETS					
Cash - Operations	2,335,706	2,685,160	2,773,255	2,259,673	
Cash - Operating Restricted	274,346	195,000	296,821	387,970	
Cash - Loan Loss Reserves	879,382	1,764,972	922,362	1,821,995	
Cash - Loan Capital	8,733,709	4,376,842	7,035,713	4,686,036	
Loans Receivable, net	32,230,573	56,479,118	34,446,208	28,544,591	
Total Assets	44,736,592	65,801,093	46,542,789	37,922,994	
LIABILITIES					
Notes Payable	17,500,000	35,250,000	19,750,000	14,000,000	
Total Liabilities	18,090,573	35,550,000	20,084,581	14,328,728	
NET ASSETS					
Unrestricted Net Assets	6,505,514	8,185,599	5,592,720	4,989,144	
Restricted Net Assets	20,140,505	22,065,494	20,865,489	18,605,122	
Total Liabilities & Net Assets	44,736,592	65,801,093	46,542,789	37,922,994	
Current Ratio	36.85 :1	50.00 :1	63.55	69.25	
Net Assets/Total Assets	60%	46%	57%	62%	
Total Liabilities/Net Assets	68%	118%	76%	61%	

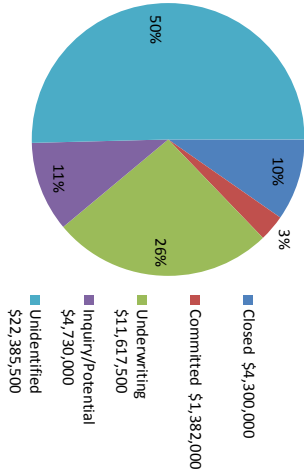
OPERATIONS						
	<u>Mar 2014 YTD</u>	<u>% of FY14 Budget</u>	<u>Mar 2014 YTD</u>	<u>FY2014 Budget</u>	<u>2013</u>	<u>2012</u>
REVENUES:						
Interest & Fee Income	545,033	17%	622,140	3,146,765	2,107,784	1,773,749
Grant & Misc. Income	37,500	25%	37,500	150,000	175,000	252,343
Program Satisfaction Releases	-		-	-	-	500,000
Total Income	582,533	18%	659,640	3,296,765	2,282,784	2,526,092
EXPENSES:						
Interest Expense /Fees	163,634	17%	190,339	985,260	658,374	494,596
Salary/Benefits	226,152	23%	246,857	979,427	773,884	620,588
Professional/Office/Other	138,907	25%	177,910	559,638	447,198	373,371
Program/Grant Expenditures	-		-	-	-	500,000
Total Expense	528,693	21%	615,106	2,524,325	1,879,456	1,988,555
Net Income/(Loss)	53,839	7%	44,535	772,440	403,328	537,537
Net Interest Margin	3.17 :1		2.94 :1		2.87	3.35
Sustainability Ratio (NC and NWA)	103%		125%		112%	114%
Sustainability Ratio (CARS)	138%		84%		86%	
Months of Operating Cash	11.10		12.76		14.89	17.55

CAPITALIZATION					
	<u>Mar 2014 YTD</u>	<u>% of FY14 Budget</u>	<u>FY2014 Budget</u>	<u>2013</u>	<u>2012</u>
New Debt *	-	0%	7,500,000	6,750,000	3,000,000
New Equity	858,955	34%	2,550,000	2,175,000	3,650,000
Available Credit Facilities Draws*	-	0%	6,000,000	7,000,000	
Debt Repaid (including LOCs)	(2,000,000)			(8,000,000)	(1,283,333)
Total Outstanding:					
Total Debt*	17,750,000	50%	35,250,000	19,750,000	14,061,720
Total Equity	25,711,932	87%	29,724,229	24,852,977	20,312,117
Total Lending Capital	43,461,932	67%	64,974,229	44,602,977	34,373,837
Borrowed Cost of Capital	3.19%		3.50%	3.15%	3.68%
Blended Cost of Capital	1.67%		1.98%	1.45%	1.57%
Debt to Equity Ratio	69%		119%	79%	69%

*- Available LOCs \$4.0 million from Wells, \$4.0 million from Morgan and \$3.0 million from BB&T/ \$4.0 million available from BOA

LENDING PERFORMANCE: Year to Date as of March 31, 2014

2014 Lending Pipeline: Originations
Goal: \$44,415 million



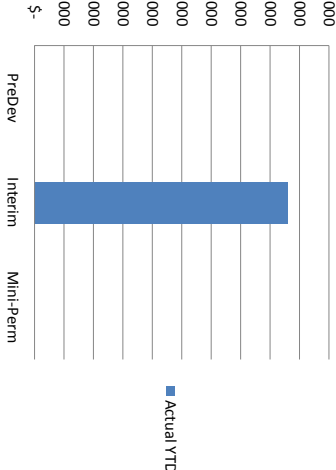
Average Timeframe by Loan Product (in months)

	Application to Approval	Commit to Close	Total
Pre-Development	0.00	0.00	0.00
Interim	2.49	2.72	5.21
Mini-Perm	0.00	0.00	0.00

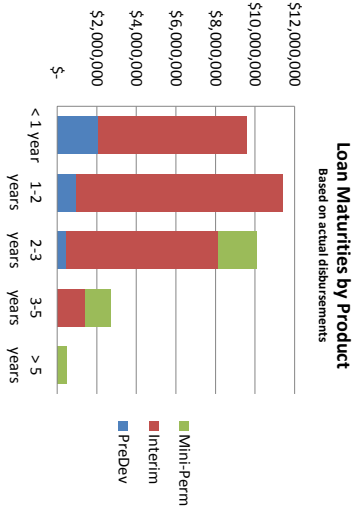
COST OF FUNDS

Product	Cost	Eff. Rate	Spread
Pre-Development	0.00%	4.50%	4.50%
Interim	2.05%	5.62%	3.57%
Mini-Perm	0.37%	6.00%	5.63%
Weighted Average	1.67%	5.54%	3.87%

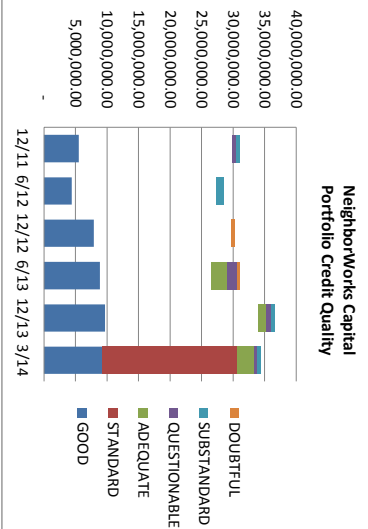
Loans Closed YTD by Product



PORTFOLIO PERFORMANCE

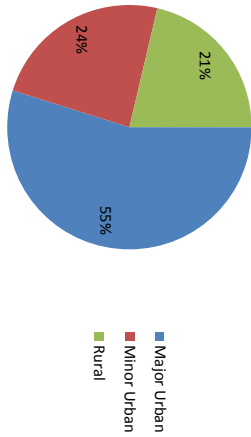


Deployment Ratio	YTD 80%	2014 Goal 93%
Loan Loss Reserve	4.11%	3.00%
Loan Repayments	(6,103,440)	(18,617,553)
Interest Delinquencies	\$ -	\$ -
Loan Charge-off	\$ -	\$ 200,000
Collections on Loans Written Off	-	-
Non-Accrual:	Amount	Reserve
None	-	-

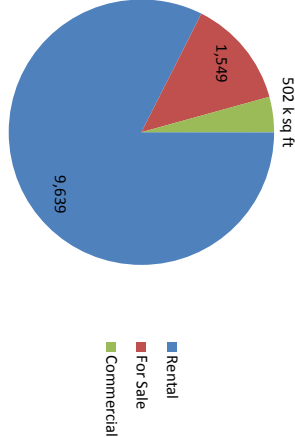


CUMULATIVE IMPACT DATA

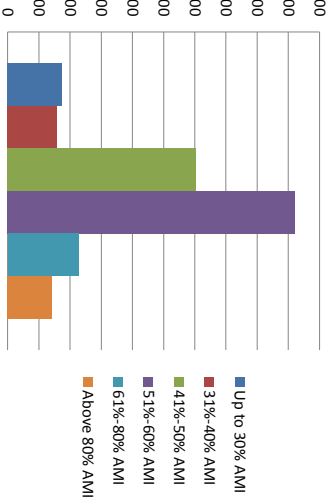
Geographic Lending History
(by units)



Cumulative Units/Square Feet by Use



Housing Units by Affordability



NEIGHBORWORKS® CAPITAL -

KEY METRICS -

FINANCIAL

Measure	Measure	FY 2010 (Actual)	FY 2011 (Actual)	FY 2012 (Actual)	FY 2013 Projected	FY 2014 Budget
Self Sustainability (NWA)	Percent	86%	96%	114%	112%	125%
Three Months Operating Cash Reserve	Dollars	\$ 415,000	\$ 415,000	\$ 415,000	\$ 415,000	\$ 631,081
Net Asset Change	Percent	25.70%	22.10%	10.40%	12.54%	7.80%
Net Assets/Total Assets	Percent	58.0%	57.8%	62.2%	53.3%	44.2%
Net Operating Income	Dollars	\$ 102,675	\$ 349,666	\$ 537,538	\$ 403,317	\$ 772,440
Net Interest Margin	Ratio	2.40	2.57	3.13	2.98	2.94
Current Ratio	Ratio	5.60	9.57	10.00	66.00	50.00

LENDING

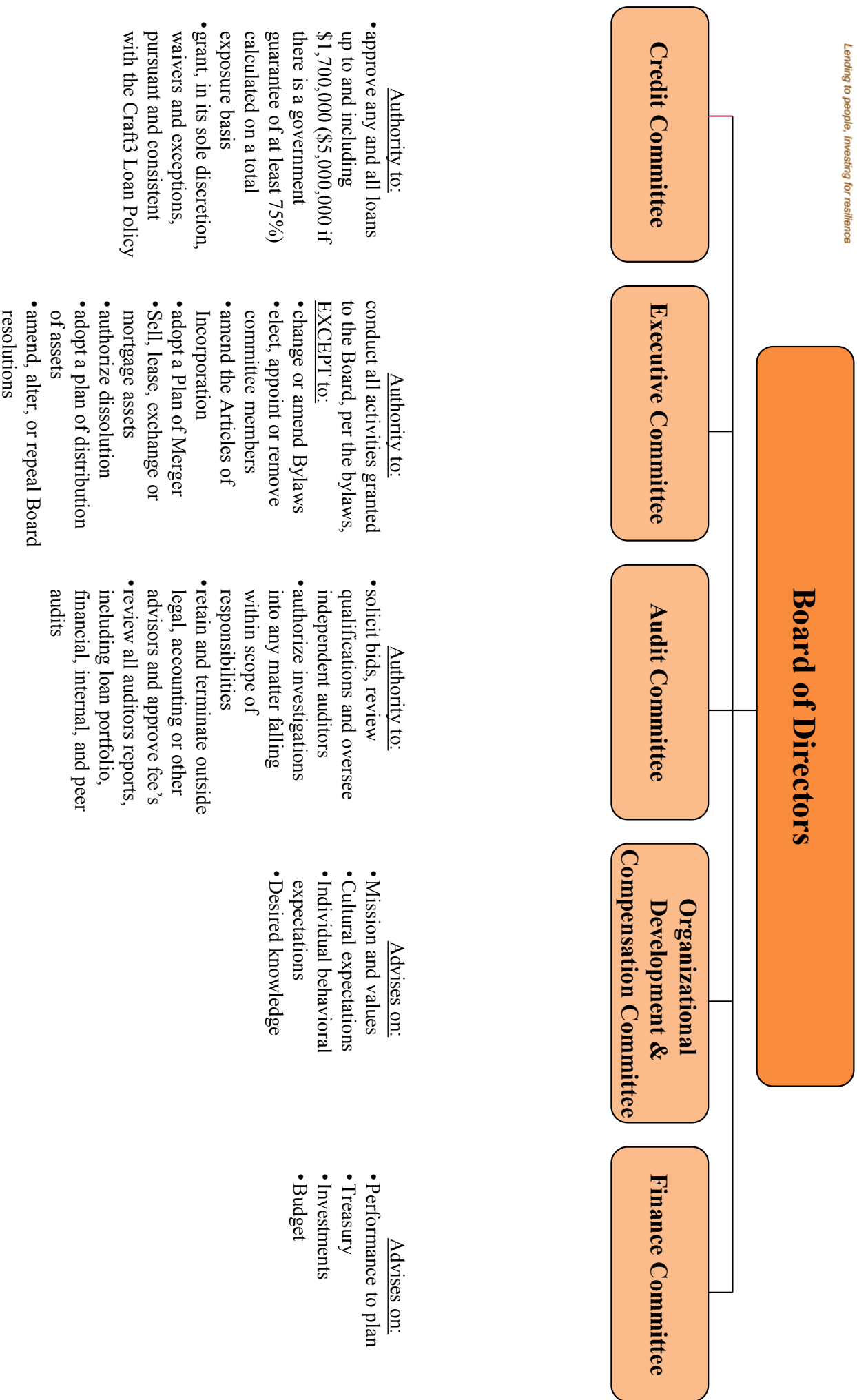
Measure	Measure	FY 2010 (Actual)	FY 2011 (Actual)	FY 2012 (Actual)	FY 2013 Projected	FY 2014 Budget
Lending Volume – Pre-development*	Dollars	\$ 550,000	\$ 1,375,000	\$ 950,000	\$ 2,350,000	\$ 2,500,000
Lending Volume – Interim Development*	Dollars	\$ 7,582,723	\$ 9,466,000	\$ 7,315,000	\$ 15,159,453	\$ 27,979,250
Lending Volume – Mini-Perm*	Dollars	\$ 1,670,167	\$ 2,650,000	\$ 442,000	\$ 1,180,000	\$ 2,000,000
Prior Year Closed Loans Disbursed	Dollars	\$ 3,525,000	\$ 1,908,065	\$ -	\$ 3,328,259	\$ 6,831,789
Total Loan Portfolio	Dollars	\$ 25,883,320	\$ 30,379,907	\$ 30,366,586	\$ 38,138,929	\$ 58,832,415
Deployment Ratio after LLR	Percent	89%	95%	83%	80%	93.1%
Average Loan Rate	Percent	4.86%	5.33%	5.56%	5.60%	5.53%
Interest Rate Spread	Percent	3.18%	3.76%	4.22%	4.12%	3.72%

* closed and disbursed

CAPITAL

Measure	Measure	FY 2010 (Actual)	FY 2011 (Actual)	FY 2012 (Actual)	FY 2013 Projected	FY 2014 Budget
New Loan Capital - NeighborWorks America	Dollars	\$ 2,548,252	\$ 2,150,000	\$ 2,250,000	\$ 2,175,000	\$ 1,800,000
New Loan Capital - Foundations & CDFI Fund	Dollars	\$ 1,100,000	\$ 1,500,000	\$ 172,500	\$ 1,374,000	\$ 750,000
New Loan Capital - Banks	Dollars	\$ 2,500,000	\$ 3,000,000	\$ 12,750,000	\$ 7,500,000	\$ 7,500,000
Loan Participations Sold - At Origination	Dollars	\$ 478,064	\$ -	\$ 4,500,000	\$ 5,000,000	\$ 6,500,000
Loan Participations Sold - Post Closing	Dollars	\$ 1,150,000	\$ 50,322	\$ 966,613	\$ -	\$ -
Average Cost of Funds	Percent	1.68%	1.57%	1.34%	1.48%	1.81%
Total Equity	Dollars	\$ 16,713,603	\$ 20,312,117	\$ 22,532,317	\$ 27,174,229	\$ 29,724,229
Total Debt	Dollars	\$ 12,294,732	\$ 13,333,334	\$ 24,250,000	\$ 21,750,000	\$ 35,250,000
Debt/Equity Ratio	Ratio	74%	66%	108%	80%	119%

Board of Directors Organizational Chart



FINANCE COMMITTEE CHARTER

The Finance Committee will meet at least quarterly. Its responsibilities are to oversee Craft3's financial performance in greater depth than the Board as a whole. In the performance of its duties, the Committee may decide to include in its membership one or more non-directors who have professional expertise in accounting, finance, and/or investments. The inclusion of outside members will be solely at the discretion of the Committee. The Committee will be staffed by the CFO. The Committee will have three major areas of focus: Craft3 performance to plan (including Craft3 Capital Corporation), treasury & investments, and the annual budget.

Performance to Plan: The Committee will review the quarterly consolidated financial statements including balance sheets and income statements. It may, at its discretion, request and review financial information at the Function and Business Unit level as well. Management will provide relevant information on performance versus budget, key ratios, and emerging trends, both positive and negative. The Committee may request and receive from Management any financial information it considers necessary to the performance of its duties. If the Committee is satisfied that the financial statements presented by Management fairly reflect the company's condition, it will recommend them for approval to the full Board. If it is not so satisfied, it will present its concerns to the full Board for further consideration.

Treasury & Investments: The Finance Committee has oversight responsibility for cash and investment management consistent with the Investment Policy. The Committee will review the Investment Policy annually and present its recommendations for approval to the full Board. The Committee will review and approve the strategic direction of the investment portfolio, with particular focus on how the portfolio supports Craft3's financial and mission goals. The CFO will report on the investment portfolio at least quarterly. The report will include details of individual bond transactions as well as information on the portfolio as a whole, including composition, credit quality, yield, duration, changes in market value and such other information as the Committee may request.

Budget: The Committee will review the annual budget and recommend it for approval to the full Board. Management will provide such information as the Committee requires including Function and Business Unit budgets and supporting documentation. The Committee will also review and approve mid-year projections and proposed budget revisions.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER

I. AUDIT COMMITTEE PURPOSE

The Audit Committee (the “Committee”) of the Board of Directors (“Board”) of Craft3 (the “Company”) shall be a standing committee of the Board and shall assist the Board in fulfilling its oversight responsibilities with respect to: (A) the integrity of the Company’s financial statements; (B) the Company’s compliance with legal and regulatory requirements; and (C) the independent auditor’s qualifications, independence and performance.

II. COMPOSITION OF COMMITTEE

The Committee shall consist of three or more directors appointed by the Chair of the Board of Directors. The Committee shall satisfy the independence, experience, financial literacy and expertise, and other requirements of all applicable laws and regulations. The Board Chair shall select one of the Committee members as the Chairman of the Committee. At least one member of the committee should have financial expertise and knowledge of financial statements, independent audits and generally accepted accounting principles

The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to satisfying the standards outlined above. Except as expressly provided in this Charter, the Amended and Restated By-Laws of the Company or applicable law and regulations (“Governing Rules”), the Committee shall fix its own rules of procedures.

III. COMMITTEE DUTIES AND RESPONSIBILITIES

A. *Independent Auditors*

1. The Committee shall have the sole responsibility to solicit bids, review qualifications and oversee the Company’s independent auditors (the “Auditing Firm”), including the review of audit engagement fees and terms. The Committee shall recommend to the Board of Directors a selected Auditor, and review and make recommendations on such reports as the Auditor is required to deliver. The Auditing Firm shall report directly to the Committee.
2. The Committee shall review with management and the Auditing Firm any problems or difficulties encountered in the course of audit work and management’s responses thereto. The Committee shall oversee the resolution of all disagreements between the Auditing Firm and the Company’s management regarding the Company’s financial reporting.
3. The Committee shall review the performance of the Auditing Firm at least annually, taking into account the views of the Company’s management. As a part of such

review, the Committee shall: (i) obtain and review a report by the Auditing Firm describing the Auditing Firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the Auditing Firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, to address any such issues, (ii) require the Auditing Firm to verify that it is registered with the Public Company Accounting Oversight Board in accordance with the Act; and (iii) review and evaluate the performance of, and monitor the required rotation of, the lead audit partner in accordance with the Governing Rules. The Committee shall present its conclusions with respect to the Auditing Firm to the full Board.

4. At least annually, the Committee shall receive and review a report from the Auditing Firm describing all relationships between it and the Company and the Committee shall take such additional steps as the Committee deems necessary or appropriate to satisfy itself that the Auditing Firm is independent.
5. The Committee shall require the Auditing Firm to provide the Committee with timely reports of: (i) all critical accounting policies and practices, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Auditing Firm, and (iii) other material written communications between the Auditing Firm and the management of the Company, such as any management letter or schedule or unadjusted differences.

B. *Company Disclosures and Certifications*

The Committee shall review and discuss the Company's annual audited financial statements with management and the Auditing Firm, as well as other matters required to be communicated to the Committee by the Auditing Firm or management under generally accepted auditing standards or the Governing Rules.

C. *Risk Assessment*

The Committee shall discuss policies with respect to risk assessment and risk management. While it is the job of the Chief Executive Officer and senior management to assess and manage the Company's exposure to risk, the Committee must discuss guidelines and policies to govern the process by which this is handled. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

D. *Audit and Examination Corrective Actions*

The Committee will monitor all significant or high priority audit, examination/inspection and internal and external loan/operations review findings and related corrective actions to ensure that the corrective actions are completed. This Charter requires that a written response will be prepared by management for each significant or high priority exception/finding identified during the course of an audit, inspection/examination or loan/operations review and that such response will document the timing, nature, status and individual responsibility for the completion of each corrective action planned or taken generally within three weeks after receipt of

the final audit, examination or review report. Management will keep a record of the exceptions, action plans, status and responsibilities and communicate this information to the Committee on a quarterly basis. Failure to complete corrective actions will be documented and reported to the Committee for appropriate action.

E. *Meetings/Review of Specific Matters*

1. The Committee shall meet at least semi-annually, and within reasonable proximity to, the date of at least two regularly scheduled meetings of the Board and at any other times deemed necessary or appropriate by the Chairman or a majority of the Committee. The Committee shall report its activities to the Board of Directors at each meeting of the Board and otherwise as appropriate.
2. At each meeting, the Committee shall meet separately with management, and with the Auditing Firm. The Committee shall meet separately with internal auditors (or others responsible for the internal audit function) as appropriate.
3. The Committee shall meet with management and other employees, as it deems appropriate, to discuss matters which may have an impact on the financial statements.
4. Minutes of each meeting of the Committee shall be prepared by a person designated by the Chairman of the Committee as the Secretary of such meeting and shall be submitted to the Committee for approval at its next meeting. All such minutes shall be submitted to the full Board of the Company and filed with the records of the Company.
5. The Committee shall discharge any other duty or responsibility assigned to it by the Board.

F. *Investigations*

The Committee shall have the power to conduct or authorize an investigation into any matter brought to its attention which falls within the scope of its duties and responsibilities.

G. *Complaints*

The Committee shall establish and oversee procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

H. *Outside Advisors*

The Committee shall have the sole authority to retain and terminate outside legal, accounting or other advisors in order to obtain advice and assistance in carrying out its duties and responsibilities or in conducting any investigation contemplated by this Charter, and shall have sole authority to approve such advisor's fees and other terms of retention. The Committee may direct the proper offices of the Company to pay the

reasonable fees and expenses of any such advisors, the compensation of the Auditing Firm and the ordinary expenses of the Committee that are necessary or appropriate in carrying out its duties.

I. *Committee Self-Examination*

At least annually, the Committee shall perform an evaluation of its own performance and report its findings to the Board.

J. *Review of Charter*

The Committee shall review and assess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board for approval.

IV. AUDIT COMMITTEE'S ROLE

The Committee's responsibility is one of oversight. The responsibility for the completeness and accuracy of the Company's financial statements rests with the Company's management. It is the Auditing Firm's responsibility to perform an audit of, and to express an opinion as to whether the Company's annual financial statements are fairly presented in accordance with generally accepted accounting principles. The role of the Committee does not include conducting audits or determining whether the financial statements are complete and accurate. In performing its duties, Committee members shall be entitled to rely in good faith upon the records of the Company and such information, opinions, reports or statements presented by any of its officers or employees or any other person selected by or on behalf of the Company as to matters reasonably believed to be within such person's professional or expert competence.

The Committee's responsibility includes any and all internal auditing activities as part of its portfolio. The Committee will receive and review reports of all auditors before being presented to the full Board of Directors; this includes, but is not limited to, loan portfolio, financial, internal, and peer audits.

V. COMPENSATION

No Committee member shall accept any consulting advisory or other compensatory fee from the Company or any of its subsidiaries or affiliates.

VI. MINIMUM STANDARDS FOR ENTERPRISE CASCADIA AND SUBSIDIARIES AND AFFILIATES

The Committee will establish audit and risk management standards at least annually for the Company, its subsidiaries and affiliates. The minimum audit and risk management standards for the Company are set forth below.

- A. Annual financial statement audit prepared by an independent auditor.
- B. Annual loan review of all loan portfolios to be prepared by an independent third party.

- C. Participation in the loan monitoring and compliance activities of the Risk and Compliance Management Governance Board as appropriate.
- D. Tri-annual Peer Reviews undertaken by an independent third party.
- E. Submission of all third party annual financial audits management letters, loan reviews, peer reviews, operations reviews, internal audits, examination reports, inspection reports together with management's response and evidence that these reports have been presented to the Board of Directors or Audit Committee of the subsidiary or affiliate.



RESOLUTION NO. 09-07

At a meeting of the board of directors ("**Board**") of Craft3, a Washington non-profit corporation (the "**Company**"), held on November 25, 2009 the Board consented to the adoption of the following resolutions:

DESIGNATION AND AUTHORIZATION OF EXECUTIVE COMMITTEE

WHEREAS, the Bylaws of the Company, originally adopted December 2, 1994, and most recently amended December 12, 2008, allow by Board, by Resolution, to designate and appoint an Executive Committee, and to delegate to that Executive Committee all such authority as the Board, in its judgment, deems appropriate, except those acts reserved to the Board by the Bylaws; and

WHEREAS, the Board has determined that it is in the best interests of the Company have an Executive Committee manage the operation of Company; and

WHEREAS, having previously established an Executive Committee, the Board desires to re-establish the Executive Committee to clarify membership and authority at this time.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

RESOLVED, that an Executive Committee be established pursuant to Article V, Section 1 of the Bylaws of Company. Said Executive Committee shall have all authority to act for the Board of Directors, and shall exercise all authority of the Board of Director in all Company matters except those acts specifically reserved to the Board in the Bylaws: (1) changing the Bylaws, (2) appointing or removing members of the Executive Committee, any Board committee, or the Directors of officers of Company, (3) amending the Articles of Incorporation, (4) merging Company, (5) disposing of all assets of Company (6) dissolving Company (7) distributing all assets of Company or (8) changing any Resolution of the Board. The authority granted the Executive Committee is intended to be inclusive, and delegate to the Executive Committee all authority of the Board except those above acts specifically reserved to the Board in the Bylaws.

IT IS FURTHER RESOLVED that the Executive Committee shall consist of five (5) Directors. The Chair of the Executive Committee shall be the Chair of the Board. The other four Directors on the Executive Committee shall be: Said Directors shall serve until the next Annual Meeting of the Board of Directors.

IT IS FURTHER RESOLVED, that any and all acts, transactions or agreements undertaken by the Executive Committee in the name of and on behalf of the Board of Company for any act except as specifically reserved to the Board, prior to the date of these resolutions be and hereby are, approved, adopted, ratified and confirmed in all respects.

IT IS FURTHER RESOLVED, that the Executive Committee is authorized, empowered and directed, in the name and on behalf of the Company, to take, or cause to be taken, such actions and to execute and deliver such agreements, documents and instruments as the Executive Committee may deem necessary or appropriate to implement the provisions of the foregoing resolutions, the authority for the taking of such action and the execution and delivery of such agreements, documents and instruments to be, conclusively evidenced thereby.



BOARD CREDIT COMMITTEE

Responsibilities

1. Review and approve or deny all loan and investment applications presented for its approval in conjunction with Craft3's development agenda. Unless it is anticipated within the credit memorandum and accounted for any credit approval shall lapse 90 days from the date of Credit Committee approval.
2. Review and approve substantive changes in loan and investment terms and conditions for existing loans and investments. All changes approved under a lower level authority must be reported to the Credit Committee (minor changes are articulated in G. below).
3. Review reports including the portfolio analysis, concentration analysis and past dues on a quarterly basis.
4. Review the Allowance for Loan Losses on a quarterly basis.

All loans approved or modified by a lower level Credit Committee or individual approval authority (if any) must be reported to the Credit Committee and/or Board of Directors at least quarterly.

The CCO, the President and COO/LFM as back up, after determining that the risks of loan are unchanged, may extend a Credit Committee approval for another 90 days. If a loan has not closed with 180 days from the date of the original Credit Committee approval, it must be re-approved by Credit Committee prior to closing.

Loan Approval Authority

The Directors have granted authority to the Credit Committee to approve any and all loans up to and including \$1,700,000 (\$5,000,000 if there is a government guarantee of at least 75%) calculated on a total exposure basis; and to grant, in its sole discretion, waivers and exceptions, pursuant and consistent with the Craft3 Loan Policy.

1. The Credit Committee will consist of at least five (5) individuals appointed by the President and approved by the Board of Directors. Membership should include the President and at least one (1) Board member. A quorum is at least three (3) members.
2. The Credit Committee may, in certain circumstances, approve a lending program to be administered by Craft3 differently from Craft3's core lending program. The program may grow to include numerous borrowers or borrowing entities that have been loaned funds in furtherance of a common cause. It is not necessary for each of these credits to be approved by a Committee.
3. Staff will report on each program to the Board of Directors and solicit any comments regarding reporting requirements or other concerns of Board members. An overview of these programs and related policy implications is included in this in section XII Lending Programs and Consumer Lending.
4. Meetings: The Credit Committee shall meet as necessary. Meetings may be conducted telephonically or electronically without limitation.

CHARTER

ORGANIZATIONAL DEVELOPMENT BOARD COMMITTEE

Purpose

On behalf of the Craft3 Board of Directors provide high-level policy and framework guidance (philosophy and principles) to the staff on organizational development and human resource issues including but not limited to Leadership and Professional Development, Performance Expectations, Compensation Philosophy, Transition, and Organizational Roles & Relationships: delegation, authority and management structures

Functions

- Provide input and guidance on the Craft3 Performance Management System
- Monitor and guide leadership succession/transition planning
- Monitor and guide general organizational development plan/process
- Establish and review board indicators of progress and success

Process

- The committee will provide strategic guidance in the areas of human capital and organizational direction.
- The Committee will provide review and recommendations in the form of high-level guidance, policy, philosophy, plans and process to the Board as a whole and to management. The Committee will help provide clarity in defining topics within its purview and topics that should remain in management's purview. The committee will develop an annual work plan and timeline describing its areas of specific work for the year.

Composition

Chair – Linda Hoffman

Members – Mary Houghton, Martha Choe, Linda Nettekoven, Steve McConnell

Staffing - Staffing will be provided by Sue Taoka and Sonya Lynn

Meeting Structure

Meetings will generally be held telephonically.

The meetings will be quarterly or as needed.

Term - The Board of Directors will annually review the need and composition of the committee.

TAB 10

RESOURCES

Larger CDFIs (National or Regional)

Craft3

www.craft3.org

Craft3 is a certified nonprofit Community Development Financial Institution (CDFI) created in 1995. Its mission is to strengthen economic, environmental and family resilience in Pacific Northwest communities. It is headquartered in the rural coastal community of Ilwaco, Washington and has offices in Seattle and Port Angeles, Washington and in Astoria and Portland, Oregon. Craft3 is growing into a regional institution supporting long-term, place-based strategies that link rural and urban communities of the Pacific Northwest.

Craft3 offers an array of capital products including business, real estate, community development, consumer, and micro loans combined with technical assistance. Craft3's mission encompasses the "three bottom lines" of economic, environmental and social equity. Craft3 was founded on the belief that these three concerns are interconnected and cannot be successfully addressed as isolated problems.

Housing Assistance Council (HAC)

www.ruralhome.org

Based in Washington, DC, HAC focuses on rural housing around the country. The organization provides technical assistance, manages a loan fund, and has a strong policy focus. HAC assists in the development of both single- and multi-family homes and promotes homeownership for working low-income rural families through a self-help, "sweat equity" construction method. The Housing Assistance Council offers services to public, nonprofit, and private organizations throughout the rural United States. HAC also maintains a special focus on high-need groups and regions: Indian country, the Mississippi Delta, farmworkers, the Southwest border colonias, and Appalachia.

Certified as a Community Development Financial Institution (CDFI) by the U.S. Treasury Department, the Housing Assistance Council has offered low-cost rural housing development loans for over 40 years. Since 1971, HAC has committed more than \$285 million to help create more than 67,700 homes, including water/sewer connections. HAC's loan funds have reach throughout rural America, with loan commitments to over 700 local organizations in more than 530 counties throughout 49 states and territories of Puerto Rico and the U.S. Virgin Islands.

HAC makes short-term loans at below market interest rates to local nonprofits, for profits and government entities developing affordable housing for low-income, rural residents. HAC's loans enable borrowers to acquire land, pay architectural and environmental fees and cover other costs that arise before construction loans are available. HAC balances careful underwriting and meaningful collateral with flexibility and an understanding that a rural community's best potential housing developer may begin without significant housing development experience

Opportunity Finance Network (OFN)

www.opportunityfinance.net

Opportunity Finance Network (OFN) is a national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. The Network has originated more than \$23.2 billion in financing in urban, rural, and Native communities through 2009. With cumulative net charge-off rates of less than 1.4%, it has demonstrated the ability to lend prudently and productively in unconventional markets often overlooked by conventional financial institutions.

OFN pursues its mission across five key program areas:

- Financing: facilitating high-volume, CDFI-based financing systems;
- Public Policy: bringing new public and private resources to the CDFI industry;
- Knowledge Sharing: transforming the CDFI field with training, research, and analysis for CDFIs, funders, investors, and other key stakeholders;
- Strategic Consulting: helping organizations develop the necessary systems to increase growth and performance; and
- Strategic Communications: raising the profile of CDFIs and creating a broad base of support for CDFIs and the people and communities they serve.

Oweesta Corporation

www.oweesta.org

Based in Longmont, Colorado, Oweesta helps build strong Native institutions and programs through professional services designed to build local capacity and provide powerful tools for Native community development. Based on the Oweesta Integrated Asset Building Model, its primary programs and services are: Training, TA & Consulting; Capitalization; and Research, Policy & Advocacy.

Through its capitalization and lending program, Oweesta provides low interest loans to qualified Native Financial Institutions (NFIs) and similar community development institutions that principally serve Native peoples. Its loans help organizations create local entrepreneurs, homeowners and strong and vibrant Native economies.

Rural Communities Assistance Corporation (RCAC)

www.rcac.org

RCAC is a nonprofit organization that provides technical assistance, training and financing so rural communities achieve their goals and visions. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states, plus the Western Pacific.

Since 1988, the RCAC Loan Fund has provided suitable and innovative solutions to the financing needs of rural communities. In 1996, the U.S. Treasury certified RCAC as one of the first Community Development Financial Institutions in the country. RCAC successfully leverages funds from foundations, religious organizations, traditional financial institutions and government agencies for rural projects. Offering both long- and short-term financing, RCAC is a major lender for affordable housing, community facilities and environmental infrastructure.

50 NIFTY TIPS FOR BETTER BOARD INTERACTIONS²⁰

Missions and Goals

- 1) Agree on the organization's mission.
- 2) Clearly define desired outcomes.
- 3) Ensure that everybody is talking about the same thing at the same time.
- 4) Try interest-based bargaining.

Advance Preparation

- 5) Recruit effectively.
- 6) Require advance reading.²
- 7) Draft recommendations.
- 8) Number the pages of board materials.

Agenda and Scheduling

- 9) Choose a meeting time convenient for everyone.
- 10) Place time limits on the agenda.
- 11) Drop the standard format.
- 12) Consider consent agendas.
- 13) Schedule breaks.
- 14) Stick to the schedule.
- 15) Table major issues that don't have consensus.
- 16) Block out dates.

Decision Making

- 17) Focus on decision making.
- 18) Vary decision making.

Individual Attention and Ownership

- 19) Encourage self-reflection.
- 20) Involve all of the board members.
- 21) Encourage relationship building.
- 22) Keep meat on the board table.
- 23) Meet board members' needs.
- 24) Stay away from personal issues.
- 25) Remember confidentiality rules.

- 26) Schedule interactive learning.
- 27) Ensure that all members have a say.
- 28) Show appreciation.

Leadership

- 29) Make sure the facilitator remains neutral.
- 30) Get help when you need it.
- 31) Elect an unofficial sergeant at arms.

Environment and Atmosphere

- 32) Aim for balance.
- 33) Find a nice, quiet place.
- 34) Hold meetings in a relevant site.
- 35) Make sure the room is ready.
- 36) Specify the room set-up.
- 37) Watch where you sit.
- 38) Make board members comfortable.
- 39) Have fun.
- 40) Try for face-to-face meetings.

Logistics

- 41) Establish ground rules.
- 42) Keep the finances understandable.
- 43) Use voting cards.
- 44) Be considerate of non-English-speaking board members.

Follow-Through

- 45) Review the follow-up action items.
- 46) Critique the meeting.
- 47) Follow up with no-shows.
- 48) Study board meetings.

Outside the Boardroom

- 49) Meet in executive session several times a year without the CPO.
- 50) Schedule a board retreat.

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ADDITIONAL BOARD RESOURCES

www.BoardSource.org

BoardSource is dedicated to advancing the public good by building exceptional nonprofit boards and inspiring board service. BoardSource supports, trains, and educates more than 60,000 nonprofit board leaders from across the country each year. With more than 20 years of experience, BoardSource provides leaders with an extensive range of tools and resources — including Webinars, in-person training sessions, original publications, consulting services, and customized diagnostics — to increase their effectiveness and magnify the impact of their mission.

BoardSource has developed a NeighborWorks NTI course, ED 240, “Board Oversight and Guidance.”

ABOUT THE INSTRUCTORS

This curriculum incorporates components of *ML 240: Board Oversight and Governance*.

Vickie Oldman-John – Instructor

Vickie is an enrolled member of the Navajo tribe and her clans are Black Streak of the Forest People, Mud People, One Who Walks Around and Folding Arm People. Mrs. Oldman-John started Kitseallyboy Consulting, a 100% Native owned company that provides strategic planning, community and organizational development, board development, team building, technical assistance, training, curricula development and program coordination in both urban and rural environments. Mrs. Oldman-John has over 15 years of experience working for and in Native communities. Mrs. Oldman-John is a degreed social worker, an accomplished facilitator, a skilled trainer, curriculum writer, and speaker who has worked with many national, state and Native communities. She is a frequent speaker at workshops, facilitates regional and national conferences to design and teach financial education, individual development accounts and basic investment skills and has also designed and led instructor training sessions. Mrs. Oldman-John currently sits on the Rural Community Assistance Corporation Board and Junior Achievement NM (Native Initiatives) Board. She was the former President for the National Association of Social Workers- New Mexico Chapter, Co-Chair for the Native American Task Force National Association of Social Workers New Mexico Chapter. She has also received the “2004 Women of Vision Award”, “2003 Social Worker of the Year”, and the “2006 President’s Award of NASW”. Mrs. Oldman-John has a Masters in Social Work with a concentration in Community Planning and Administration at New Mexico Highlands University and also a graduate of Arizona State University.

Leslie Newman – Instructor and Curriculum Developer

Ms. Newman has over eighteen years of community development experience. Ms. Newman began her work in community development with Proyecto Azteca, a self-help housing program serving the *colonias* of the Texas/Mexico border, and as field director for Tejas Community Credit Opportunities, a community development loan fund that provides alternative housing financing to underserved border families. Over the past eleven years, Ms. Newman has assisted a number of emerging and advanced Native CDFIs, including the Lakota Funds, Four Bands Community Fund, and Mazaska Owecaso Otipi Financial. Her work with Native CDFIs has focused on capitalization planning, loan product development, loan policy development, strategic planning, resource development, and organizational development. Ms. Newman is currently working as a Program Coach with YouthBuild USA, assisting new Native sites in developing and implementing their YouthBuild programs. Previously, she worked as a trainer and technical assistance provider with the “Expanding Native Opportunity: Native IDA Initiative” sponsored by Oweesta, First Nations Development Institute, and CFED, and underwritten by the CDFI Fund. Ms. Newman has developed courses for NeighborWorks, entitled, “Building the Capacity of Native Nonprofits,” “Creating a Path to Self-Sufficiency through Native Integrated Asset Building Strategies,” and “Surviving Harsh Elements: Enhancing a Native Organization’s Sustainability.” She holds a J.D. from the University of Michigan Law School.

Collaborating Organization: Seven Sisters Community Development Group
(www.7sistersconsulting.com)

Seven Sisters Community Development Group, LLC is a national consulting firm which offers culturally relevant and innovative strategies, services, and products that create systemic change. We assist low-wealth and diverse communities across the country to plan, develop, and implement community based economic development strategies. We work with national and local nonprofits and corporate organizations, as well as local, state, tribal, and federal governmental entities. Incorporating the values and vision of our clients, we offer inspiring and insightful solutions to support the growth of energized, self-reliant individuals, organizations, and communities.