

## APPENDIX D

### Special Requirements for Non-profit or For-profit organizations or Public Agencies

Applicants applying on behalf of (or in partnership) with ...

- a. non-profit organizations which will operate and own or lease an assisted facility or project; or
- b. for-profit entities that are involved in the project, committed to serving LMI citizens; or
- c. other public agencies such as housing authorities or water and sewer district

...must provide the information required by all portions of this application.

Applicants should provide thorough responses to the requested information because it will be used as a key element in ranking applications involving non-profit organizations or for-profit organizations or other public agencies as subrecipients or project partners.

**Non-profit organizations** may acquire title to public facilities such as senior centers, centers for the handicapped, or Head Start Centers that are constructed with CDBG funds. When such facilities are owned by non-profit organizations, they must be open for use by the general public during all normal hours of operation.

**Non-profit organizations** and **for-profit organizations** may also be involved in the rehabilitation or construction of new permanent residential structures for low and moderate-income persons. Non-profit organizations and for-profit organizations can be involved as subrecipients in CDBG grants financing CDBG-eligible activities.

**Other public agencies** -- such as housing authorities or water and sewer districts -- can be involved as subrecipients in CDBG grants financing CDBG-eligible activities.

#### **A. NON-PROFIT ORGANIZATION DEFINED**

Any non-profit organization to be assisted with CDBG funds must be incorporated under Montana law and recognized as a non-profit, 501(c) tax exempt, organization under U.S. Internal Revenue Service (IRS) regulations.

#### **B. NONDISCRIMINATION**

Any non-profit organization or for-profit organization or any public agency to be assisted with CDBG funds must agree to provide its services or operate its facilities without discrimination, in accordance with the civil rights laws and regulations of the United States and the State of Montana. These laws and regulations prohibit any discrimination on the basis of race, color, national origin, sex, religion, handicap, age, or family status (families with children). Any organization receiving CDBG assistance must also carry out equal employment opportunity hiring practices.

#### **C. OPERATING PLAN**

Include an Operating Plan for any Non-profit Organization or For-Profit Organization or

Public Agency that is proposed as a CDBG grant subrecipient/partner in the proposed project. Each Operating Plan must include the following elements with sufficient detail for adequate analysis:

1. **Description of Organization or Agency**

Describe the purpose and history of the organization, company or agency. Include a copy of the organization's by-laws.

2. **Services Provided**

Describe the services provided, geographic service area and potential for expansion of services provided or the service area. Describe the target population served (age, sex, special needs, etc.).

The operating plan should describe in detail how the CDBG project will affect the services to be provided and how the organization and its members or clientele will be affected if CDBG funds are not received.

3. **Management**

Provide the names, titles, and brief description of the background and management experience of the persons responsible for management of the organization, company, agency or project, as well as the members of the organization's or company's agency's board of directors or principals.

Describe how the organization's or agency's finances are managed and whether they are formally reviewed on a regular basis.

4. **Sources and Uses of All Funding**

Provide a line-item description of the sources, proposed uses, and financial terms for all funds to be included in the project. The description should clearly justify the amount of CDBG assistance applied for and explain the intended use of the funds. Use the form provided in the Uniform Application, Part C.

**D. FINANCIAL EXHIBITS**

The non-profit organization or for-profit organization or other public agency that will be involved as a subgrantee must be able to demonstrate that projected income will be sufficient to cover any projected debt service and current and projected operating costs, including long-term operation and maintenance.

Each applicant submitting an application on behalf of a non-profit or for-profit organization must include the following financial exhibits with the application:

1. **Financial Statements**

For existing organizations and public agencies, provide financial statements for the three

most recent years of operation including a balance sheet describing assets and liabilities, profit and loss statements, a revenue and expense statement, and cash flow statements as applicable to the type of organization or agency.

Financial statements, compiled or reviewed by an independent certified public accountant with full disclosure notes are required for businesses or organizations or agencies that have been in operation for more than one complete fiscal year. All financial information must be signed by a responsible officer for the organization or public agency.

2. **Income and Expense Projections**

Adequate income projections are necessary to demonstrate the long-term financial soundness of the project. The organization must provide projected balance sheet and revenue and expense statements for a three-year period following receipt of CDBG funds which includes all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements, as well as current and long-term operating capital needs.

In addition, a detailed pro-forma must be provided, outlining projected expenses such as management and administration costs; utility costs; repairs and maintenance costs; insurance and taxes; reserves; and debt service. Section C, Part V and VI of the [Uniform Application For Montana Housing Loan, Grant, & Tax Credit Programs](#) provides a *pro-forma* that can be utilized to provide this information.

The projections must include an explanation of how the figures and assumptions were developed. Other project-specific models are available upon request from MDOC CDBG staff.

3. **Requirements for Business Owners with a 20% or Greater Ownership**

Personal Financial Statements and tax returns are generally required for all owners with 20% or more ownership in the proposed project. The Department of Commerce also requires personal or corporate income tax returns for all affiliated businesses.

The principal owners of the business, as defined above, must provide a release allowing for a personal credit history check by the Department as part of the application review.

Applicants should include any other information that may be helpful in documenting the economic viability of the project.

4. **Private Sector Commitments**

Applicants must provide firm commitment letters from any private sector lenders or investors involved in the project. Such commitments should be binding, contingent only upon receipt of CDBG funds.

All terms and conditions that apply to each funding source must be submitted as part of the application.

5. **Federal Internal Revenue Service Forms**

- a. A non-profit organization must submit verification of its IRS 501(c) status.
- b. Any private non-profit organization which is required to submit IRS Form 990 (Return of Organization Exempt from Income Tax), must submit a copy for the three most recent years of operation. (Organizations whose annual gross receipts are normally more than \$25,000 must file Form 990.)
- c. A for-profit organization must submit a copy of tax returns for the three most recent years of operation.