



# Central Valley Housing, Inc.

City, State

## OAS Sample Report

**Note:** This sample report is based on actual OAS reports and is provided for illustrative purposes. All names, locations, and other details have been changed.

## **PROMPT® Draft Capacity Assessment Report**

### **Organizational Assessment Services**

**Prepared by:** Consultant Name

**Review Conducted:** Date of Site Visit



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NeighborWorks® America is a public, not-for-profit entity created in 1978 that provides technical assistance, training and financial support to a national network of approximately 250 independent, community development and housing services organizations. NeighborWorks America creates opportunities for people to live in affordable homes, improve their lives and strengthen their communities.

PROMPT® is the system that NeighborWorks America employs to review, analyze and report periodically on the capacity and overall health of its network member organizations. Now NeighborWorks America offers this evaluation tool more broadly to other organizations engaged in affordable housing and community development. The PROMPT assessment process involves thoroughly analyzing the key elements of an organization including: production and program services, resource and financial management, organizational management and board governance, management staffing and personnel, planning and technical operating and compliance systems.



## Executive Summary

The purpose of this assessment is to assist Central Valley Housing, Inc. (CVH) with the identification of strengths, challenges, and opportunities for improvement so that it may enhance its ability to accomplish its mission. The State Housing Finance Agency has engaged NeighborWorks® America to conduct an organizational assessment of CVH as a capacity building tool using the PROMPT® method of analysis.

CVH was formed in 1986 by community leaders. The current CEO was the founding chief executive. CVH has remained true to its mission of developing, promoting and implementing programs that assist persons of low to moderate incomes to meet their housing needs.

Historically, CVH has offered homeowner-occupied home repair services, first time homeowner opportunities, special needs rental housing, and IDA-related education and savings programs. CVH has been fortunate to work with large numbers of volunteers to accomplish its mission.

Today, CVH is in a state of transition from both a management and financial perspective.

Managerially, CVH's success and growth have brought it from an entrepreneurial, founder-driven organization to one that needs to be more board and management-team driven. This transition now requires more direction through planning, new success measurement tools, more financial analysis and further codification of policies and procedures. Accordingly, the following are brief descriptions of some of the highest priority, management-oriented recommendations that emerged during the course of the assessment process. The report provides greater detail on each of these and identifies additional "improvement opportunities and recommendations".

- ◆ The CVH board should increase its real estate development involvement, guidance, and oversight by adding board members who are specifically knowledgeable in real estate development and construction. The board should establish a real estate committee to evaluate new opportunities as presented by staff and monitor the construction/rehab process.
- ◆ CVH should implement an asset management function, now that it has a portfolio of 150 rental units and nearly ten million dollars invested in land, buildings, and equipment net of depreciation. The asset management responsibility is to ensure financial sustainability of the properties, providing regular review of critical property management performance measures.
- ◆ CVH management should continue to work with the finance committee to develop financial reports and dashboards or scorecards that highlight and communicate the information necessary to focus on problem areas, facilitate productive analysis, and enhance financially-driven decision making.
- ◆ In carrying out the board driven strategic planning process with broader input, CVH should include key representatives from the City as well as the nearby communities where it also has a presence.



Financially, the current funding environment places CVH in a position where financial sustainability has a direct impact on mission sustainability. The 2017 budget and the current net income projection both indicate the organization's rental properties and major programs, in total, will generate losses after a full allocation of overhead costs. The March 31, 2017 financials report a net loss for the organization of \$350,205 compared with a budgeted loss of \$95,000. Given this environment, the following financially oriented recommendations should receive consideration.

- ◆ Historically, CVH has approached real estate development successfully as a largely intuitive decision process. CVH now should take a more strategic approach to real estate development considering both mission and financial sustainability needs.
- ◆ If the projections of losses by the CFO hold true, CVH would appear to have several options for consideration to bring in more revenue; these include:
  - Develop new programs to inject fresh grant funding.
  - Develop a new fee-based service or significantly expand an existing line of business that could generate more fees.
  - Become a more prolific real estate developer. This could include looking at an expanded rental housing portfolio for ongoing cash flow.
  - Expand into a new line of business that would generate an earned income revenue stream. Significantly expanding an existing fee based line of business is another option.

This assessment report describes observations developed through off-site document review and on-site discussions and meetings with members of the staff, board and key partners. A site visit from May 3-5, 2017 closed with a debriefing meeting with staff and board leadership of the organization. Within the context of the PROMPT system, each section offers "General Observations" and "Current Capacity and Strengths" of organization's operations and programs. Then the report provides "Improvement Opportunities and Recommendations" for the organization's consideration.

This organizational assessment was made possible through funding from the State HFA and the cooperation and assistance of the CVH board and staff leadership as well as key partners and stakeholders.



## PRODUCTION/PROGRAM SERVICES

Has the organization identified, approved, and implemented program services (lines of business) that are consistent with its mission, values and goals? Do program services address identified needs of communities or populations served? Is support from staff, board and partners adequate to sustain or expand production and program service goals and future commitments? Are policies, procedures and monitoring systems in place to enable the organization to measure performance, meet commitments and communicate results?

CVH engages in several housing-related lines of business, as defined by NeighborWorks America. This assessment report provides an analysis of each of them, offering improvement opportunities and recommendations where applicable.

### REAL ESTATE DEVELOPMENT

#### *General Observations*

CVH's primary mission has been the constructing or acquiring and rehabbing of rental properties for low-income residents and those with disabilities and special needs. Representatives from the City Housing Department expressed the highest regard for the amount and quality of work CVH has done in the city within its defined mission. City representatives expressed a need for open communication and collaboration, not only between CVH and the City but also between CVH and other area housing organizations. The City representatives saw CVH possibly taking a lead position in coming up with a plan for the development of workforce housing. It was also suggested that the City and CVH consider working together to form a revolving home repair loan program for homeowners.

As recommended in the housing needs assessment, the City has adopted the International Property Maintenance Code to provide a more comprehensive framework to address property maintenance concerns through the inspection and code enforcement process. The assessment reported 35 percent of the city's housing was built before 1940. Twenty percent of the homes surveyed were either deemed to need serious attention or were classified as distressed.

#### *Current Capacities and Strengths in Real Estate Development*

CVH has developed 100 units in Jefferson County. Of these, 60 units were financed primarily with public funds, and 40 were funded using private sources. Community Bank provided most of the loan financing. During the on-site visit, the review team was able to tour a number of the homes developed by CVH and found them to be impressive examples of how the organization has met its mission.

In Jackson County, during 2010, CVH constructed 18 units using HOME and Low Income Housing Tax Credit funding. In that same year, the organization acquired additional rental units and provided major renovations using USDA Rural Development Section 514/516 funding as well as funds from other sources.



### ***Improvement Opportunities and Recommendations in Real Estate Development***

- ◆ CVH should take a more strategic approach to real estate development, considering both mission and financial sustainability needs. Historically, real estate development has been a successful, and largely intuitive, decision process.
- ◆ The board should increase its involvement, guidance, and oversight by adding board members with specific knowledge and experience in real estate development and construction. The board should establish a Real Estate Committee that would implement the board established real estate development parameters by evaluating new opportunities as presented by staff and monitoring the construction/rehab process. The committee could include members not on the board.
- ◆ The organization should develop and prioritize parameters for searching out new opportunities as well as evaluating opportunities presented to CVH for consideration. This process would help the board focus and prioritize its real estate development objectives. It might include location, type of development (single-family, duplex/triplex, multi-family), number of units, for rent or sale, rehab required, funding opportunities and target resident or ownership potential by income category.
- ◆ CVH should develop a due diligence checklist for projects that pass the initial screening of predetermined parameters.

Further defining real estate development management responsibilities should be an element of the organization's transition from being CEO driven to one with a strong leadership team.

### **HOMEOWNERSHIP PROMOTION**

#### ***General Observations***

In 2013, the Federal Home Loan Bank awarded funding to CVH through its Affordable Housing Program (AHP) and its Homeownership Program. The AHP funding can offer down payment assistance and owner occupied home repair in accordance with the grant contract. As of March 2017, CVH has accessed AHP funds for 72 clients. If sufficient funding were available, the program manager believes the organization could complete 24 projects each month generating gross earned income of over \$180,000 annually.

#### ***Current Capacities and Strengths in Homeownership Promotion***

In addition to being enrolled in a six-hour interactive financial class, uniquely, the homeownership program clients must complete four one-hour life-skills workshops. Additionally, clients saving for a home must complete a six to eight-hour homebuyer education class. Those saving for post-secondary education must have a college advisor, while those saving to start a business must have a small business advisor. CVH advises those homeowners saving for home repairs.

### ***Improvement Opportunities and Recommendations in Homeownership Promotion***

- ◆ With the tax credit donations now restricted to C-Corporations, the continued viability of the successful homeownership program is dependent upon the ability to develop sustainable funding from those entities. If that does not happen, CVH will need to re-examine the scope of the program.



## ASSET MANAGEMENT

### *General Observations*

CVH has not yet adopted the asset management concept. Asset management focuses on maximizing return and property value for the owner, while property management focuses on the day-to-day management of the properties. It is the responsibility of the asset management function to insure financial sustainability of the properties in order to sustain the organization's mission. That process includes regularly reviewing important property financial performance measures including net operating income, net cash flow and debt service coverage where appropriate.

### *Improvement Opportunities and Recommendations in Asset Management*

- ◆ CVH should implement an asset management function given its 150 rental units and funds invested in land, buildings and equipment.
- ◆ CVH should identify capital improvement needs and ensure there are sufficient replacement reserves to meet those needs so that deferred maintenance does not threaten the value of the property, thereby failing to adequately meet the mission.
- ◆ CVH should create a watch list mechanism that identifies problem indicators. This tool proves invaluable in focusing scarce resources on the most significant issues. It is also a valuable communication tool for the board oversight committee. A viable watch list requires determining which indicators are the most important for the CVH portfolio of properties and then determining at what point each of those indicators might become a high priority problem.
- ◆ An additional important element of the function is using performance measures to develop a strategy for property disposition, if and when appropriate.
- ◆ CVH should codify the asset management function with board reviewed and approved policies and procedures, potentially including the property management function.
- ◆ CVH should create an annual asset management plan for each property or groups of properties to succinctly set direction for the organization.
- ◆ The board should enhance its oversight of asset management given the organization's extensive investment in properties. A suggested Real Estate Committee could also address the asset management oversight responsibility.



## RESOURCE AND FINANCIAL MANAGEMENT

Has the organization planned for and raised sufficient operating and capital resources to support current and future needs? Do its resource development processes and tools (including digital media strategies) support identification and procurement of resources? Does the organization employ accounting and financial record keeping procedures and practices that safeguard resources and produce accurate, timely records for operations and program services? Are liquid assets and reserves sufficient to sustain the organization and support growth?

### RESOURCE MANAGEMENT

#### General Observations

Central Valley Housing has been a program and project-driven organization which, at least since FY 2011, has resulted in a strong cash position. With the completion of its most recent projects, the outlook is not as clear as it has been.

	FY 2013 Audited	FY 2014 Audited	FY 2015 Audited	FY 2016 Unaudited
Cash				

As one would expect, CVH's most significant assets are its land, buildings and equipment which underscores the importance of an asset management function as noted in an earlier section.

	FY 2013 Audited	FY 2014 Audited	FY 2015 Audited	FY 2016 Unaudited
Land, Buildings & Equipment, Net of Accumulated Depreciation				
Work in Process				
Percent of Total Asset				

CVH has demonstrated the ability to generate surpluses in revenues over expenses, as expressed in increases in net assets, for the years reviewed. The extent of the surplus has been driven largely by the grants associated with programs and projects in a given year.

	FY 2013 Audited	FY 2014 Audited	FY 2015 Audited	FY 2016 Unaudited
Total Revenues & Other Support				
Total Expenses				
Increase in Net Assets				

Source:

Because the organization's financial strength has been program and project driven, with the full cost allocation in place, it is prudent to look at financial sustainability as it relates to the net income contribution from the major CVH programs and rental projects. The CFO provided the 2017 budgeted projections of revenues over (under) expenses after debt consolidation with principal debt payments deducted and with no depreciation expense included.

CVH's basic liquidity current ratio (current assets divided by current liabilities) fluctuated over the three audited years reviewed, but it was substantially below the NeighborWorks America network median each year. Because the current portion of long-term debt has negatively





impacted the liquidity ratios, the recently accomplished debt consolidation may have improved liquidity.

	FY 2013 Audited	FY 2014 Audited	FY 2015 Audited	NeighborWorks 2015 Median
Current Ratio				
Quick/Cash Ratio				
Total Days Cash				

Source:

### **Current Capacities and Strengths in Resource Management**

CVH has a very robust debt ratio when compared to the NeighborWorks America network median and a capital ratio that is comparable to the network median (the debt ratio is calculated by dividing total assets into the total debt; the capital ratio is calculated by dividing the total assets into net assets).

	FY 2012 Audited	FY 2013 Audited	FY 2014 Audited	FY 2015 Unaudited	NeighborWorks 2015 Median
Debt Ratio					
Capital Ratio					

Source:

CVH has been a mission driven organization greatly benefiting the communities where it has worked. The projections provided by the CFO raise questions about the ability of the current programs and projects to contribute to the financial sustainability of the organization thereby directly impacting mission sustainability.

### **Improvement Opportunities and Recommendations in Resource Management**

- ◆ If the projections of the CFO hold true, CVH will need to consider ways to generate more revenue. The options to consider could include finding new programs that would inject fresh grant funding, becoming a more prolific real estate developer to create properties with an on-going positive net cash flow, or expanding into a line of business that would generate an earned income revenue stream.
- ◆ Many nonprofits are looking at the development of multi-family properties in a new light, not only for the one time developer fee which may end up needing to be deferred to make the project work, but rather for the on-going cash flow contributing to financial sustainability and thus mission sustainability.
- ◆ Another option is to develop a new fee-based service or significantly expand an existing line of business to generate a fee for each class provided or the FHLB program that generates a fee for each customer.
- ◆ With the addition of the new director of development, the opportunity exists to create a new resource development plan as the foundation for strategically targeting new funding sources, communicating with current and past funders, generating tax credit donations from C-Corporations and developing the CEO's social investment concept.



Given the uncertain financial environment for all nonprofits, CVH should continue to pursue development of an operating reserve as expressed in its Strategic Plan

## **FINANCIAL MANAGEMENT**

### ***General Observations***

While navigating the transition from a CFO who has been with the organization for several years is difficult, CVH is fortunate to have a well-qualified replacement.

CVH's financial management has undergone a positive transition in recent years. During the past two years the CFO began attending finance committee meetings, submitting to the committee an analysis of the current financials. The budgeting process began including the development of monthly budgets, and the Leadership Team managers became directly involved in the budget process. Leadership Team managers developed their own budgets for 2014. In the past six months the CFO began sending monthly budget-to-actual reports to them. The outgoing CFO also created an accounting policies and procedures document.

In April of 2013 a conversion to ABILA MIP was implemented as the demand for more detailed reporting outpaced the capacity of its prior accounting software. Using MIP, CVH brought its payroll processing in house.

A review of audits from 2011-2013 prepared by Green & Company determined that CVH received unqualified opinions in each year. There were no material findings or questioned costs under OMB Circular A-133 in any of the three audits reviewed.

### ***Current Capacities and Strengths in Financial Management***

Undertaking the difficult challenge of switching the finance and accounting software system was a strategically sound decision given the increasing complexity of CVH. The organization has taken significant steps forward in its financial management processes. These include the CFO assuming a larger role with the finance committee, managers being included in the budgeting process, and providing budget-to-actual reports to leadership team managers. In addition, CVH developed an accounting policies and procedures document.

The finance committee, under the direction of the current committee chair, is in the process of developing definitive expectations for CVH management in terms of: the income statement with itemized budget to actual variance metrics; the balance sheet with a focus on cash position and line of credit outstanding balance; debt obligations; and the budget process. The finance committee chair states that the plan is to have a scorecard for each program.

### ***Improvement Opportunities and Recommendations in Financial Management***

- ◆ CVH management should continue to work with the finance committee to develop financial reports and dashboards or scorecards that highlight and communicate the information necessary to focus on problem areas, facilitate productive analysis and enhance financially-driven decision making.
- ◆ As the end of its three year contract with the current auditor approaches, CVH should send out a request for proposal (RFP) as proper due diligence before signing a new contract.



- ◆ CVH should continue to pursue a dialog with the auditor to determine what can be implemented to satisfy segregation of duties requirements given the staff size of the organization.
- ◆ CVH should consider the implementation of a classified balance sheet in both the audit and the internally prepared interim financial statements. Classified balance sheets segregate current assets and current liabilities which most who are analyzing the financials do anyway using their own discretion and without the input of CVH.
- ◆ The finance committee should review and approve the accounting policies and procedures annually.

SAMPLE



## ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE

Has the board established a governance model and structure that clearly defines board, committee, and executive management roles and authority in setting and fulfilling its mission and ensuring organizational health? Does the board exercise active, knowledgeable leadership and oversight? Do the board and committees have adequate and relevant expertise to provide program oversight? Does board composition reflect the communities and populations served? Does the board maintain an established process to evaluate its paid executive leadership and plan for succession?

### **General Observations**

Bylaws enable the board to have up to 19 members. However, CVH reduced current membership from 15 to 12 because the larger number seemed unwieldy, according to the CEO. Board members may serve up to three terms of two years each. One year off the board qualifies a member for reelection later, as some have done. Terms run according to calendar years.

The board meets every other month. Directors may participate by phone or other electronic means, making it more feasible to achieve representation from outlying service areas. All current board members live in or around the city.

CVH has four standing committees: executive, finance, membership, and fundraising. Also active at the time of the assessment was the strategic planning task force. The executive committee includes the board chair, vice chair, treasurer, and secretary and is empowered to carry out most board actions between meetings. The executive committee typically meets two weeks before board meetings to plan the agenda and to engage in productive discussion.

The membership committee nominates directors for election at the annual meeting held each October. The committee maintains a matrix that indicates skills of current or potential board members. The CEO participates on an ex officio, non-voting basis on the board and on all committees.

### **Current Capacities and Strengths in Organizational Management and Board Governance**

CVH has been consciously engaged in the transition from a founding chief executive driven organization to a Leadership Team driven organization. CVH exemplifies best practices with respect to its board of directors in the following ways:

- The organization provides a full day of orientation for a new board member. It devotes one-half day to board governance issues and the other half to presentations by program directors.
- At the end of every board meeting, CVH surveys all directors, asking questions related to the agenda, now using Survey Monkey. These regularly applied surveys are an excellent way to gauge board member reactions to their work in real time.

With board meeting attendance at 80 percent in 2016, engagement of directors is strong. Upon joining the board, all directors sign an expectation statement that specifies what they agree to



do for CVH. This includes avoiding conflicts of interest. It is not clear whether directors sign conflict of interest statements periodically.

CVH committees are active and engaged with the noteworthy exception of the fundraising committee which, at the time of the site visit, had not met yet in 2017 and did not have a chair. Although the board member expectation statement includes language that directors agree to “make an annual gift according to personal means realizing that a leadership role on the board must affect fund development,” the participation level is well short of the objective.

Committees typically convene in between board meetings and report out with minutes for inclusion in board packages, adding to the depth of information that directors have available to them. Other than the executive committee, each committee has a blend of directors and non-board members, as explicitly authorized through the bylaws. In several cases, past board members continue to participate with CVH through service on committees. This is a valuable way to benefit from additional perspectives, retain interested people, and spread the workload.

The board meets the CHDO definition with half of its members residing in census tracts considered to be low-income. According to the bylaws, at least one-third must have low incomes and live in or represent low-income communities. One board member works for an organization serving homeless people.

### ***Improvement Opportunities and Recommendations in Organizational Management and Board Governance***

- ◆ As noted in the discussion on real estate development in the Production and Program Services section, the board of directors should establish a real estate committee.
- ◆ The board needs to revive its fundraising role, whether through the committee or otherwise, to support the efforts of the new director of development. The board should encourage one of its members to assume a leadership position. Alternatively, the board could dispense with the committee and assume that role itself, perhaps asking the fundraising director to make periodic reports to the board. Another option is to create ad hoc committees for special fundraising events with clear, short-term objectives.
- ◆ CVH would benefit by having more board members who either have low-incomes or represent their low-income clientele. The board has a strong commitment to the organization’s mission. It should explore other ways to gain the perspective of low-income communities, including those who represent or serve low-income people; examples are social service providers, pastors or other leaders of largely low-income congregations.
- ◆ The board has not done an overall self-assessment and should conduct one every two to three years. The post-meeting surveys are very valuable and could inform and support a broader self-assessment.
- ◆ The board should consider implementing a policy of having board members sign conflict of interest statements annually if it is not required currently.



## MANAGEMENT STAFFING AND PERSONNEL

Is the organization's staffing model and structure clearly defined? Is it adequate to fulfill organizational, programmatic and financial responsibilities? Do staff reporting practices result in coordinated and timely actions and decisions? Does the organization have documented human resource policies and practices including annual staff evaluations? Do staff recruitment, compensation and professional development practices attract and retain knowledgeable, committed people?

### ***General Observations***

The CEO has led CVH since its formation in 1986. From all appearances, he is identified strongly with the organization both in the community and internally. His direct reports include the directors of operations, development, and finance. An administrative assistant supports the CEO.

The COO manages three program directors, each with their own small program team. The CFO was in his final days with the organization during the OAS site visit while a successor was being recruited. The position has two bookkeepers in support. The director of development, receives support from the CEO's administrative assistant.

CVH conducted leadership training in conjunction with staff reorganization. The CEO noted that the process helped to identify people who were not willing or able to assume more responsibility.

The organization does not apply consistent performance measurement practices, preferring to conduct evaluations according to the preferences of the managers. Employees do not prepare a formal, annual performance plan. For some staff members, supervisors use a performance evaluation form. Some program managers receive annual evaluations based on objectives set for their programs.

CVH staff members receive free health insurance, an attractive benefit. Employees must pay all costs of coverage for dependents. Salaries now are said to be competitive after staff had fallen short of local norms. The broad experience of the COO was cited by one staff member as being helpful in recognizing the need to be more competitive to retain strong managers.

### ***Current Capacities and Strengths in Management and Staffing and Personnel***

The CEO recently completed a recognized nonprofit leadership program, giving him access to state of the art coaching and exposure to leaders of nonprofits across the U.S. His program focus involved generating adequate operating capital for CVH, in part through self-sustaining programs and a planning process where programs flow from staff to the board and back to staff with measurable outcomes enabling tracking of performance. Through participation in the leadership program, the CEO has noted that CVH realized some success through changes in financial and program management methods. The program experience benefited staff leadership and the board of the organization, with higher expectations across the organization.

Program directors have begun to develop their own program budgets, with some directors further along than others. The directors have been able to access training, including attendance at NeighborWorks Training Institutes. Volunteers also are a key part of the work of CVH.



CVH has a CEO succession plan in place to address both long term and emergency changes in leadership. The board is wise to have adopted such a plan, and directors have expressed the need to update it.

### ***Improvement Opportunities and Recommendations in Management and Staffing Personnel***

- ◆ The CEO should continue to delegate his program responsibilities to strengthen the leadership team and make the organization less dependent on one person. This would enable the CEO to focus more on the broader picture, thinking more organizationally and strategically. However, should CVH make a strategic decision to pursue a more aggressive real estate development strategy, the CEO may need to continue to be the driving force in that line of business until the board is confident that the leadership team is fully prepared to assume the responsibility.
- ◆ All employees should prepare an annual performance plan, with specific, measurable, time-bound objectives. The plan should serve as the basis for annual staff member evaluations. Managers still can use their own personal preferences for how they apply such an approach.
- ◆ The leadership team concept is a good one for the organization. If program directors are to “own” their programs, it would be valuable for all involved if they attend board meetings and periodically make presentations to the board.
- ◆ CVH should continue to pursue additional training. This is particularly the case for program directors who are taking on a larger role and for the recently hired director of development who is new to the role.
- ◆ The organization should amend its personnel policies to address potential conflicts of interest.



## PLANNING

Has the organization implemented a planning process with input from stakeholders, including the board, staff and community? Is there an annual operating plan based on a clearly defined mission, with measurable goals that are tracked and evaluated periodically? Has the organization established a multi-year strategic plan that identifies goals, resources, needs, responsibilities, timelines, and outcomes related to primary lines of business (services)?

### ***General Observations***

Central Valley Housing adopted its current strategic plan in October 2015. It included specific outcomes indicating success for each section of the plan. A strategic planning task force has been established to develop a new board driven plan. The task force is using this assessment by NeighborWorks America as a starting point for its work.

It is the stated intent of the board to broaden the input process for strategic planning. Specifically, the City Housing Department, the Area-wide United Way, and a representative group of clients will be invited to provide input to the board at separate meetings as part of the process.

### ***Current Capacities and Strengths in Planning***

The strategic planning task force is chaired by a former board chair and includes the current board chair and vice chair, another former board chair and a board member who is very knowledgeable regarding the disabled, an historic priority of mission for CVH.

During an assessment on-site meeting with the strategic planning task force, its chair clearly articulated that CVH finds itself in transition from being a smaller organization to one with a broader, complicated array of services. The current board chair emphasized the need for the board to begin to more actively chart the direction of the organization.

### ***Improvement Opportunities and Recommendations in Planning***

- ◆ CVH, as part of the board driven strategic planning process with a wider scope of input, should include key representatives from the City as well as the nearby communities where it also has a presence.
- ◆ CVH Housing currently has both emergency and planned succession documents. It should pursue, as expressed by the board and the CEO, a review and update of these plans based upon current circumstances.
- ◆ CVH should consider implementing an annual business plan as a vehicle for executing the strategies and goals defined in the multi-year strategic plan.





## TECHNICAL OPERATING AND COMPLIANCE SYSTEMS

Do the organization's service delivery policies, procedures and practices maximize its ability to provide services effectively and efficiently? Has it established a process to review all contracts and agreements prior to approval to ensure smooth integration with business strategies and plans? Does the organization's contract management system identify oversight, documentation and reporting responsibilities to ensure contract compliance and provide accurate, timely reporting?

### ***General Observations***

Significant funding contracts are presented to the board for approval. Contract compliance is the responsibility of the appropriate program manager with support from the CEO and the CFO.

Central Valley Housing has an accounting policies and procedures document requiring contract compliance documentation ensuring that contracts for services rendered are performed timely, properly and in compliance with the terms.

### ***Current Capacities and Strengths in Technical Operating and Compliance Systems***

CVH is exceptionally highly regarded among its funders.

### ***Improvement Opportunities and Recommendations in Technical Operating and Compliance Systems***

- ◆ CVH should codify its real estate development, asset management, and property management practices into policies and procedures documents that the board reviews and approves.
- ◆ CVH should expand the accounting policies and procedures document to include contract approval and compliance sections.



## Conclusion

Central Valley Housing is a mission driven organization that has become a significant provider of affordable housing and home repair for the underserved in three counties, bringing its owned assets to nearly \$10 million. It has expanded its breadth of service to providing resident services, financial literacy and life skills education as well as a savings program for homeownership, education, or starting a small business across many nearby counties.

The board of directors is dedicated to the mission. Board committees are active, bringing experience that benefits the organization and providing valuable oversight and guidance. Through its members, the strategic planning task force is especially strong at a time when setting a well-considered direction is as critical as anytime in the organization's history.

The growth of CVH, its success in meeting mission, and a changing environment have brought the organization to a point of transition. To ensure continued sustainability, clarity on a strategic plan needs to drive the decision making of the board and senior management. It would be counterproductive to pursue short-term funding opportunities without a focus on the organization's strategic direction.

With its experience in program management and real estate development, CVH should also look strategically at its geographic service area. In evaluating its geographic strategic direction, the organization needs to carefully weigh both the mission and financial aspects of duplicating models successfully implemented in its home market across other surrounding areas.

This report includes an in-depth review of the organization. The assessment clearly found Central Valley Housing to be a strong, competent organization with a vibrant history. This report provides recommendations designed to strengthen operational capacity and financial sustainability as CVH continues to evolve.



## APPENDIX

**FIGURE A-1: STATEMENT OF FINANCIAL POSITION HIGHLIGHTS**

	FY 2013 Audited	FY 2014 Audited	FY 2015 Audited
Cash			
Accounts Receivable			
Grants & Pledge Receivable			
Investments			
Reserve Funds			
Prepaid Expenses			
<b>Current Assets</b>			
Beneficial Interest in Assets Held by Others			
Inventory			
Land, Buildings & Equipment, Net			
Mortgage Loans Receivable			
Work in Process			
<b>Total Assets</b>			
Accounts Payable			
Accrued Liabilities			
Deferred Grant Revenue			
Notes Payable, Current Portion			
<b>Current Liabilities</b>			
Notes Payable Less Current Portion			
Sunrise Long-Term Liabilities			
<b>Total Liabilities</b>			
<b>Total Net Assets</b>			
Unrestricted Net Assets			
Temporarily Restricted Net Assets			
Permanently Restricted Net assets			

Source:



**FIGURE A-2: STATEMENT OF CASH FLOWS HIGHLIGHTS**

	FY 2013 Audited	FY 2014 Audited	FY 2015 Audited
Increase in Net Assets			
Depreciation			
Accounts Payable			
Net Cash Provided (Used) by Operating Activities			
Payments for Property & Equipment			
Net Cash Provided (Used) by Investing Activities			
Proceeds From Long-Term Debt			
Payments on Long-Term Debt			
Net Cash Provided (Used) by Financing Activities			
Net Increase (Decrease) in Cash			

Source: