

NeighborWorks of Grays Harbor County

Program Review Report

Pacific District
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Table of Contents

INTRODUCTION/OVERVIEW	1
PROMPT SUMMARY OF RESULTS	1
I. PRODUCTION/PROGRAM SERVICES.....	2
A. Home Ownership Preservation Services.....	2
B. Home Ownership Promotion	3
C. Community Building and Organizing.....	4
D. Property Management	5
E. Real Estate Development/Asset Management.....	6
F. Lending and Loan Portfolio Management.....	7
II. RESOURCE AND FINANCIAL MANAGEMENT.....	8
III. ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE.....	12
IV. MANAGEMENT – STAFFING AND PERSONNEL MANAGEMENT	15
V. PLANNING.....	17
VI. TECHNICAL OPERATING AND COMPLIANCE SYSTEMS.....	18
OVERALL CONCLUSION.....	21

Appendices

APPENDIX A - NETWORK COMPARISONS.....	22
APPENDIX B – NWGHC HIGHLIGHTS OF ACCOMPLISHMENT.....	23

INTRODUCTION/OVERVIEW

NeighborWorks of Grays Harbor County (NWGHC) was incorporated in 1981 and was founded when a group of citizens, city leaders and lenders came together to form a grassroots organization dedicated to improving homes in two lower-income neighborhoods in Aberdeen, population 16,700. Since that time, NWGHC has matured into an organization that provides an array of home-ownership, home-improvement, affordable-rental and neighborhood-revitalization services to all of Grays Harbor County, population 72,797 (2010).

NWGHC operates in a rural, economically distressed region of Washington. The area is well known for its large supply of timber, pulping, and shipping. Over the years, severe business dislocations combined with lingering environmental issues have caused tremendous economic damage. In the State of Washington, unemployment (8.5 percent) and home foreclosures (18th in USA) continue to be high. For example, RealtyTrac® says more than 20,000 homes were repossessed in Washington state in 2010, which is up 25 percent from 2009, when lenders repossessed 16,017 homes.

Fortunately, NWGHC continues to fulfill its mission and helps area residents. Current business lines include Home Ownership Promotion Services, Home Ownership Preservation Services, Community Building and Organizing, Lending and Loan Portfolio Management, and Asset and Property Management. NWGHC was chartered as a NeighborWorks America affiliate in 1993. The agency is a member of NeighborWorks America's National Home Ownership and Rural Initiative Programs. NWGHC is a HUD Housing Counseling agency and a NFMC sub-grantee of the Washington State Housing Finance Commission. Put simply, NWGHC remains vitally important to residents in both Aberdeen and Hoquiam, as it also manages the NSP programs for both the city of Aberdeen and city of Hoquiam (\$1.2 million).

PROMPT SUMMARY OF RESULTS

NWGHC provides programs and services consistent with its plans and resources. NWGHC remains determined to meet all its contract obligations and continues to receive community support and funding from its various partners. NWGHC accomplishes its mission through its successful homebuyer education and counseling, pre- and post-purchase counseling, tandem loans, rehab/home improvements and single-family rental programs. Today, there is intense competition for scarce public dollars and government grants. A weak housing market with waning property values presents even stronger headwinds for NWGHC. For the future NWGHC's most challenging issues are meeting increasing program/client demands, raising its visibility and community profile, and working toward greater sustainability. The NWGHC board and management are aware of these issues and each continues to address them with strong execution of via its approved plans.

Possible strategies include the expansion of its existing homeownership services and providing more locally targeted revitalization efforts. Finding out the best way to expand geographically (i.e., Grays Harbor, Pacific, Mason, Thurston and Lewis Counties), and programmatically (i.e., deploying an

eHOME America “hub and spoke” lending model, targeting neighborhood revitalization, doing construction management consulting and loan servicing for fees, etc.) will be dependent upon assessing both its capacity and risks, given the imperatives of maintaining its existing programs, services and sustainability. Where feasible, the Pacific District is in full support of NWGHC expanding its operations, both geographically and programmatically.

I. PRODUCTION/PROGRAM SERVICES

NeighborWorks of Grays Harbor County has exceeded this performance objective.

NWGHC identifies three major business lines: Housing Services, Community Building and Asset Management. NWGHC also effectively maintains a \$2.2 million loan portfolio with 149 amortized loans, ranging from one to eight percent interest. NWGHC’s housing services programs include home improvement loans, housing and financial counseling, first mortgage program, home owner down payment and construction oversight. Production goals for some of these programs are much more conservative than in previous years because of questionable funding resource opportunities that have historically funded them. NWGHC’s community building programs include: Paint the Corridor; target neighborhood revitalization project; annual meeting; and, general marketing. The purpose of this business line is to do a better job showing the community what it does through larger impacts in a smaller, consolidated area. NWGHC’s asset management programs include real estate development, property management, and evaluating its property portfolio. Re-tooling its real estate development program was needed because certain properties were previously built, but not sold before the market collapsed. NWGHC has stopped working on two homes to conserve its flexible capital resources. It has leased all the others.

Annual FY 2011 program accomplishments (through June 30, 2011) were: 1) created 81 new home owners; 2) rehabilitated or repaired or retained 69 rental or owner-occupied units (1-4 units); 3) helped 27 households to attend its pre-purchase homebuyer education workshops; 4) counseled 34 households on foreclosure options; 5) owned or managed 29 units; 6) created direct home ownership investment of \$9,017,984; and, 7) facilitated existing owner rehab investment and foreclosure home retention investment of \$548,901. Subsequent FY 2012 program accomplishments (July 1, 2011 through January 20, 2012) were: 1) completed 14 rehabs for home owners; 2) counseled 25 new clients; 3) facilitated 75 new first mortgages; 4) closed two loans using down payment assistance; 5) closely supervised project management of 23 units; and, 6) proactively monitored 41 properties for contract, sale or lease.

A. Home Ownership Preservation Services

NWGHC’s Home Preservation services include extensive financial planning and assistance for its clients, including working on the disposition of foreclosed properties;

elderly reverse mortgages; rehab and construction management services; and, foreclosure prevention training and counseling. Other NWGHC Home Preservation Services also include extensive green building and home improvement initiatives that include energy conservation reviews, environmental-friendly building materials; indoor environment quality assessments; lead poison prevention; sustainable site planning; and, water quality and conservation.

Most of NWGHC's funding is for low-moderate income residents. The only exceptions are those that qualify for the Capital Funding for Rehabilitation of Affordable Housing (CFRAH) that was specifically designed for Income levels between 51 and 120 percent of the median income. Sometimes rehab loans are in conjunction with a home ownership loan.

Clients start with the housing counselor to see if they qualify for a loan. If they are qualified, they are sent to the NWGHC's loan specialist who then takes an application and prepares documents to present it to the loan committee. The loan committee approves or denies the loan application(s) and determines the interest rate and term based on the client's ability to pay. Some loans are deferred for a certain length of time with a call provision to review the client's finances. It is either deferred again or amortized depending on the loan committee's decision.

Existing owner rehabs and investments increased dramatically from 2009 to 2011 (through June, 30, 2011). Specifically, existing owner rehab direct investment dollars were \$185,499, \$447,092, and \$394,914, respectively. Existing rehab clients for the same period were 5, 20 and 35, respectively. During the same period, NWGHC aided 52 households with post-purchase education or other workshops. Per the operational plan and HUD-9902 reports, selected homeownership preservation values are noted below.

Program Services	FY11 Outcomes	FY12 Goal	YTD FY12 Outcomes*	FY 13 Goal
Post-Purchase Education Graduates	47	60	3	60
Foreclosure Prevention Counseling	73	60	37	60
Homeowners Saved From Foreclosure	38	60	6	60
Home Improvement Loans	35	20	14	8

*2012 Goals and Outcomes Board Report (July 1, 2011 - January 12, 2012 - Revised)

B. Home Ownership Promotion

NWGHC's home ownership promotion services include extensive homebuyer education about its affordable housing programs; home ownership counseling; downpayment assistance; financial fitness education, facilitated loans and related construction management services. NWGHC continues to lead by sponsoring financial fitness for

area students. A financial fitness education program is available in partnership with the Aberdeen School District. It has helped over 2,200 students (grades 1-12) via the Billie McFarlane Fund for Financial Fitness.

Most of the NWGHC's home ownership loans are held in second lien position and used for downpayment/closing costs in conjunction with one of the area banks that is willing to hold its loan in its own portfolio (meaning it cannot be sold). The exception is a loan made with USDA (502) where the NWGHC portion is placed in first lien position.

New home ownership production increased dramatically from 2009 to 2011 (through June 30, 2011). Specifically, new home ownership direct investment dollars were \$6,826,827, \$707,512 and \$9,017,984, and total home ownership clients were 55, 5 and 81, respectively. During the same period, homebuyer workshops produced 108 homebuyer certifications, as there were 27, 54 and 27 households, respectively. Per the operational plan and HUD-9902 reports, selected homeownership promotion values are noted below.

Program Services	FY11 Outcomes	FY12 Goal	YTD FY12 Outcomes*	FY13 Goal
Pre-Purchase Counseling	62	60	25	60
Homebuyer Education Graduates	51	40	18	40
New Homeowners Created	51	40	18	40
Facilitated Home Purchases	88	42	43	42

*2012 Goals and Outcomes Board Report (July 1, 2011 - January 12, 2012 - Revised)

C. Community Building and Organizing

NWGHC's Community Building and Organizing services include extensive community interaction such as its annual Paint the Corridor event; a business/merchant relationship project; and, a clean-up project.

Paint the Corridor: NWGHC participates in this Vision 2020 event aimed at painting homes in Aberdeen and Hoquiam. A recent annual event was held along the Simpson-Sumner/101-109 Corridor. In 2011, nearly 400 people on 27 teams helped to paint 25 houses on the major corridors of Aberdeen and Hoquiam. While the Paul Stritmatter Family sponsors the event financially, NWGHC plays a key role in organizing it. Participation provides an excellent spotlight on NWGHC and its work within the county. NWGHC now piggybacks off the Paint the Corridor event to maximize its own celebration of National NeighborWorks Week locally in Grays Harbor County.

Target Neighborhood Revitalization Project: Thirty years ago, a newly formed Aberdeen Neighborhood Housing Services focused on housing rehabilitation in three target neighborhoods. The idea behind this approach was that by concentrating services in these targeted neighborhoods, the impact would be noticeable and stimulate overall revitalization. While the approach helped many low- and moderate-income (LMI)

homeowners improve their homes and build neighborhood pride, it did not address infrastructure issues that would have spurred long-term investment.

Today, NWGHC again seeks to focus upon key target neighborhoods, but using a more comprehensive approach. In addition to making housing rehabilitation assistance available to low-, moderate-, and middle-income (LMMI) home owners, NWGHC wants to work with landlords and local governments to take a more holistic approach that will include infrastructure and socio-economic improvements. This will entail finding an interested neighborhood and facilitating its residents and landlords through a long-term neighborhood plan. From beginning to end, this process will be a neighborhood-driven approach, with NWGHC and local governments playing facilitative roles in helping residents achieve the goals they set.

D. Property Management

NWGHC is effective in managing the rental portfolio .NWGHC owns or directly manages 42 units of safe and affordable rental houses/duplexes, of which 13 units are base-subsidy Section 8 apartments, two units are rented to another nonprofit agency for transitional housing, nine houses rented at market rate with Section 8 vouchers accepted, and six houses are available on a lease with option-to-purchase basis.. Four other houses were built in join collaboration with its local college partner and construction students. Lastly, NWGHC (as managing agent) also works with Harbor Alternate Living to provide 24-hour services for the developmentally disabled tenants at the Elma Group Homes (an eight-unit HUD 811 project).

In 1996, NWGHC formed the Oakview Association, a not-for-profit corporation. The Oakview Association was formed to provide elderly or disabled persons with housing facilities and services specifically designated to meet their physical, social and psychological needs, and to promote their health, security, happiness and usefulness in longer living. NWGHC provides bookkeeping, management services and maintenance services for the Oakview Association (eight units).

For the future, NWGHC's management seeks to employ the following property management strategies: 1) maintain full occupancy at Oakview Estate (a not-for-profit that provides housing for elderly or disabled persons) and aim for a 99 percent approval on annual audit; 2) maintain minimum 90 percent occupancy rate for all rentals; and, 3) conduct routine inspections to ensure properties are kept in good order.

Today, NWGHC's portfolio of properties may not be fully generating the income reflective of the effort put into maintaining them. The board wants to begin a process of assessing each property to determine a disposition strategy. Accordingly, NWGHC's newly formed strategic planning committee will begin to examine the entire NWGHC

property portfolio to determine which properties to keep for rent, repurposing, or liquidation. The intent behind this initiative is to aid in stabilizing, and eventually increasing, the organization's income stream necessary for meeting its Vision for Success plan. Work plans and details are now being compiled: 1) to determine the status of its properties and those that are being developed; 2) selling or renting properties to the public, and, 3) repurposing the properties October 2011, NWGHC held the following inventory and billed the following rents:

NWGHC Rentals	# Units	Type	Gross Potential Rents (Month)
Board Rentals	9	Family	\$5,627
Sunrise Court Rentals	13	Family	\$7,608
HAP Program Rentals	4	Family	\$2,421
GHC Market Rentals	1	Family	\$1,073
College House Rentals	2	Family	\$1,825
Oakview Association	8	Elderly	\$3,393
Totals	37		\$21,947

E. Real Estate Development/Asset Management

NWGHC's Real Estate Development/Asset Management program includes housing for elderly; housing for handicapped; housing for homeless; rental housing, and, Section 8 housing. NWGHC will continue to develop its real estate holdings geared towards new and rehabilitated single-family homes. At January 2012, there were 42 structures in NWGHC's current inventory. Current NWGHC work-in-process inventory includes three NSP homes already rehabbed and for sale and six unfinished NSP rehabs were not yet for ready for sale. NWGHC continues to also partner with the Grays Harbor College and its carpentry class to produce new homes. Properties the agency intends to emphasize over the next three years include the properties on Mohler, Taft, and Sheridan Streets. Accordingly, NWGHC has adopted the following strategy to continue to have lots filled at the Mohler Street property and to facilitate adjacent street improvements through contractor donations. NWGHC will continue to sell or lease the homes at the Taft Street Property (market to Habitat for Humanity, sell or lease). Presumably, the Sheridan Street property will be sold at a later date.

Management asserts that housing needs in Grays Harbor County change frequently. Staying fresh and effective as an organization that responds to the community requires NeighborWorks® to assess regularly the housing needs of our client base. The information collected through an assessment process will guide the board in developing and maintaining a Three-Year Construction & Development Plan. Some of the potential projects that the board wants to begin exploring through this process are to determine if there is a need to return to the focused neighborhood approach – working with local cities to select distinct neighborhoods for comprehensive housing and infrastructure revitalization. Another concept to examine is an adaptation of the Habitat for Humanity model for clients who put sweat equity into the construction of

their homes. Realistically, NWGHC has only limited financial resources for new construction projects and the availability of grant funding from state and federal sources will dictate whether this effort eventually moves forward. In addition, local economic conditions in the county bring into question if there will be enough prospective clients interested or financially capable of committing to new home purchases, construction, or rehabilitation. However, NWGHC's staff anticipates local city councils will receive the idea of a comprehensive neighborhood improvement effort with enthusiasm and possible funding partnership opportunities.

Since its inception, NWGHC has proved itself a consistent producer of affordable housing. To date, the majority of NWGHC's properties have been developed using CDBG, NSP, CFRAH, NeighborWorks America, tax credits or by using HUD Section 811 monies. The housing developer fees generated are used by NWGHC to cover its housing development overhead and costs associated with the acquisition of additional properties.

F. Lending and Loan Portfolio Management

NWGHC's lending operations includes a standardized underwriting process and tandem lending to qualifying borrowers, including firsts, seconds, deferred and reverse mortgages for seniors. NWGHC's lending operations includes a qualified mortgage officer, a proactive loan committee and effective loan policies, whereby all new loans undergo a rigorous review and all closed loans are reviewed for both status and repayment. Interest rates for amortized loans range from one percent to eight percent. All amortized loans are concordant with their approval and documentation. The ceiling rate is dictated by each individual contract or individual risk. Any provision for bad debts is based on the estimate of loan losses occurring due to default on amortized loans.

For FY 2012, the average loan amount was \$15,748 with an average interest rate of 6.2 percent. A provision for bad debts has also been established for zero percent-deferred loans equal to the excess of the sum of all prior liens over the assessed value of the property. The assessed values approximate fair market value. FY 2009 and FY 2010 bad debt expense was \$0 and \$0, respectively. In addition, there are no recent recorded foreclosures. At October 2011, amortized loans and zero percent deferred loans were \$2,097,363 and \$37,987, respectively. At October 2011, overall loan delinquencies (amount of loans and number of loans) were 4.30 percent and 3.52 percent, respectively.

A prior NWGHC program review (2005) stated, "...NWGHC has raised adequate capital to support current year program services, with added potential for expansion. The organization's Financial Manager reported retained holdings of over \$3.1 million for home preservation (rehab) capital and services through December 2004. As of March

31, 2005 the agency showed nearly \$733,000 in cash holdings and another \$717,000 due from other funds for revolving rehab or home ownership loans.” Today, loan capital has become scarcer for new lending programs. At October 2011, NWGHC held the following cash, accounts receivable and loan fund commitments from funders below.

NWGHC's Revolving Loan Fund Capital - By Funding Source (at 10/31/2011)

	NSP-RLF And CDBG	DPA CACH And NWF	NW America And CFRAH	RLF Totals
Available Funds:				
- Cash	\$119,145	\$120,871	\$436,599	\$676,615
- Accounts Receivable	-	-	\$16,085	\$16,085
Committed Funds:	\$119,145	\$120,871	\$452,684	\$692,700
- RLF Construction Escrows	(\$46,819)	(\$6,340)	(\$146,372)	(\$199,531)
- Pending Loans	-	(\$39,469)	(\$19,000)	(\$58,469)
- Reserves for Loan Losses	-	-	(\$58,000)	(\$58,000)
- NSP Down-Payment Loans	-	-	(\$107,934)	(\$107,934)
- NSP Rehabilitation	(\$19,770)	-	-	(\$19,770)
Balance Available	\$52,556	\$75,062	\$121,378	\$248,996

Source: NWGHC Revolving Loan Funds Report (10/31/2011)

II. RESOURCE AND FINANCIAL MANAGEMENT

NeighborWorks of Grays Harbor County has exceeded this performance objective.

Budgets are used for planning and control. NWGHC has adopted an organizational budget in surplus consisting of \$1,043,915 in planned resources and \$595,968 in planned outlays. Historically, NWGHC has produced annual budget surpluses over the past three years. Accordingly, a surplus of \$447,947 is being planned for the year ending June 30, 2012 (FY 2011-2012). Actual FY 2012 year-to-date budget performance results are noted below. Notably, NWGHC financial capacity continues to expand with sustained net asset growth. As of October 2011, NWGHC's net income (by its business lines) for housing and counseling services, asset management and community building programs were \$123,951; \$9,590 and \$2,241, respectively (see below).

	2012 HCS	2012 PAM	2012 CBD	Total
Total Support and Revenue	\$221,510	\$82,672	\$35,416	\$339,598
Total Program Expenses	\$69,868	\$61,500	\$27,584	\$158,952
Total Indirect Expenses	\$27,691	\$11,582	\$5,591	\$44,864
CHANGE IN NET ASSETS	\$123,951	\$9,590	\$2,241	\$135,782

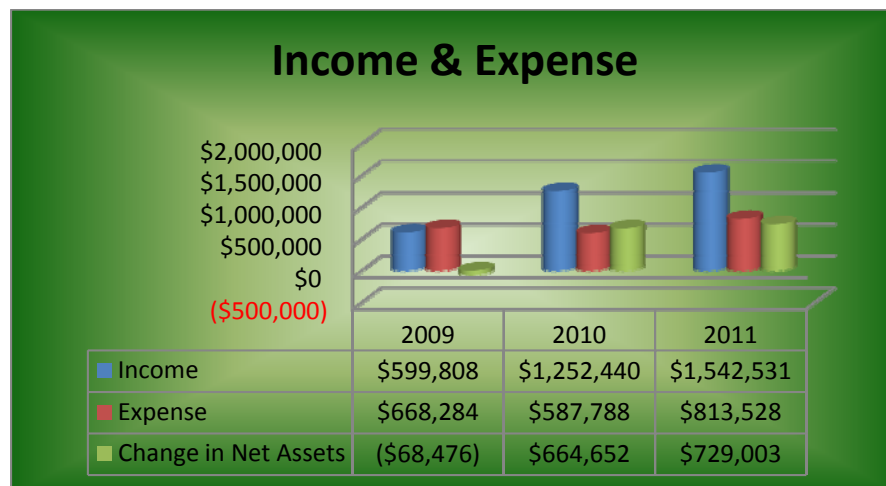
More importantly, NWGHC received an unqualified opinion of its June 30, 2011 financial statements. As NWGHC had federal expenditures over \$500,000, it was required to report under A-133. The auditors issued GAS and A-133 reports, which stated that no material weaknesses or significant deficiencies were found. The management letter stated that no difficulties were encountered in the conduct of the audit. At October 31, 2011, NWGHC

continued its strong practice of prudent financial management. Year-to-date reports highlight a favorable \$135,782 increase in its net assets.

NWGHC Statements of Activity (2009-2012)				
Fiscal Year	2009	2010	2011	2012*
Revenues				
Total Support/Revenues	599,808	1,252,440	1,542,531	339,600
Expenses				
Total Expenses	668,284	587,788	813,528	203,818
Net Assets Increase (Decrease)	(68,476)	664,652	729,003	135,782
Defensive Interval (DI)	13.7	14.9	15.4	18.6

*NWGHC Unaudited Statement of Activity – 4 Months Ending 10/31/2011

For FY 2011, NWGHC generated a surplus of \$729,003 on total revenues of \$1,542,531 with an increase in unrestricted net assets of \$655,293. Fiscal year 2011 revenues increased 23.2 percent over 2010 with increases in grants and fees. The Schedule of Federal Awards listed two funding sources as HUD and NeighborWorks America.



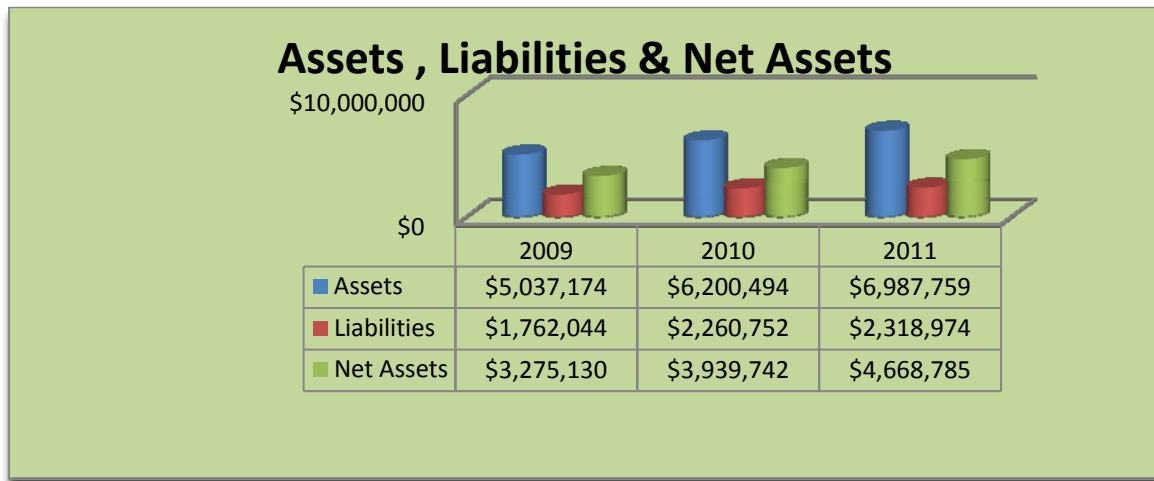
The second largest source of revenues, rental income, decreased 9.4 percent in the current year and dropped 10.1 percent between 2009 and 2011.

	2009	2010	2011	2009	2010	2011	Incr/(Dcr) 2009- 2011
Grants	\$177,601	\$839,343	\$1,166,203	29.61%	67.02%	75.60%	556.6%
Contributions	21,514	53,880	13,099	3.59%	4.30%	0.85%	-39.1%
Interest	85,873	84,755	89,055	14.32%	6.77%	5.77%	3.7%
Fees	20,527	64,501	66,153	3.42%	5.15%	4.29%	222.3%
Rental income	197,335	188,093	177,368	32.90%	15.02%	11.50%	-10.1%
Miscellaneous	19,445	21,868	16,371	3.24%	1.75%	1.06%	-15.8%
Other gains/(losses)	77,513	0	14,282	12.92%	0.00%	0.93%	-81.6%
Total income	\$599,808	\$1,252,440	\$1,542,531	100.00%	100.00%	100.00%	157.2%

As noted below, expenses increased 21.7 percent with the largest increase from the jump in grants paid to individuals that jumped from \$4,214 in FY 2010 to \$171,443 in FY 2011. Personnel costs increased 7.1 percent between 2010 and 2011, but decreased 8.9 percent between 2009 and 2011. Bad debt expense increased from \$6,365 in FY 2010 to \$35,151. The increase in bad debt expense was not reflected in the allowance for loan losses that was \$69,656 in both 2010 and 2011. Although NWGHC lists debt on its statement of financial position, no interest expense was recorded and no cash interest was paid. At June 30, 2011, NWGHC reported \$708,121 of permanently restricted NeighborWorks America capital that reconciled to the Investment and Grant Agreement.

NWGHC assets increased 12.7 percent between 2010 and 2011 with an increase of 38.7 percent between 2009 and 2011. The growth in assets is reflected in the increase in cash, loans receivable and other assets. Cash increased 23.9 percent to \$402,182 between 2010 to 2011 and restricted cash increased \$371,798 to \$586,138 over the same interval. Loans receivable increased \$641,368 to \$2,135,350 between 2009 and 2011 with \$37,987 being reported as deferred. The allowance for loan losses on the amortizing loans was 3.2 percent at FYE 2011 down from 5.2 percent at yearend 2009. The category of Other Assets has increased 224 percent between 2009 and 2011 and represents the real estate acquisitions for development. The financial statement presentation contains an asset and offsetting liability named due from/to other funds. At June 30, 2011 these offsetting accounts were \$1,305,252. In 2011, these accounts increased \$194,112 and represent the funds advanced from the General Fund and the NRC Fund to the Land and Building and the CBDG Fund.

NWGHC liabilities increased 2.6 percent between 2010 and 2011 with an increase of 31.6 percent between 2009 and 2011. The inter-fund liability referenced above represents 74 percent of all liabilities and distorts the leverage of the organization. The debt to net assets ratio with the inclusion of the inter-fund debt is 49.7 percent. If the inter-fund liability is removed, the debt to net assets ratio drops to 13.9 percent. Deferred revenue increased from \$73,903 at FYE 2009 to \$216,022 at FYE 2010 and jumped to \$518,509 at year end 2011 (see below).



Total NWGHC cash was \$988,320 on June 30, 2011 with restricted cash of \$586,138. The \$449,393 increase in cash was broken down as follows: Operating Activities generated cash of \$441,749 and Investing Activities generated cash of \$7,644. Significant reconciling items between the increase in net assets and cash from operating activities were depreciation, increase in property in development and increase in deferred revenues. Liquidity measures fluctuated as the current ratio increased from 1.2 to 1.4 and unrestricted days cash decreased from 241 days to 204 days between 2010 and 2011. The defensive interval increased from 14.9 months in 2010 to 15.4 months at FYE 2011. The high level of deferred revenues contributes to the current ratio being below the Network medians. Leverage improved as the debt to net assets ratio decreased from .574 to one to .497 to one.

Based on the June 30, 2011 financial statements, the prospects for NWGHC appear to be strong. Liquidity is stable and the leverage is low regardless of the inclusion of inter-fund debt. The growth in other assets represents the developments in progress that has surged between 2009 and 2011. Embedded in such developments are both financial and organizational risks. As a portion of these development projects are not fixed contract construction, potential future losses can be carried as assets until such projects are sold.

Future NWGHC resource development and management efforts will need close monitoring if new programs are introduced and services are expanded. As noted, NWGHC's current liquidity, capacity, and net assets are adequate. However, any large build-up in the inventory of homes available for potential development or pending sales would be a clear warning sign. Today, capital is scarce. As the level of home sales slows and its ability to clear the housing inventory build-up becomes more remote, these facts would represent the agency's single largest risk for the future.

More importantly, federal, state, local grants will less available and certainly more competitive to get as federal, state and local budgets become more constrained. The Section 8 program, the project-based subsidy for Sun Rise Court, the HUD housing Counseling program, and the

Community Development Block Grant program will likely see reduced funding. Accordingly, the board and management should continue to build on its current marketing efforts, RFP's and communications plans. Plans may also consider new funder collaborations, nonprofit alliances, new fee-for-service or consulting arrangements, or an endowment campaign to seed needed RLF funding in the future.

NWGHC must also ensure that all new marketing, public relations strategies and outreach lead to stronger brand recognition and greater community visibility. Historically, NWGHC's Board, director and committees have all done a remarkable job in adequately promoting NWGHC's image, creating public relations collateral and attending public events and gatherings. New promotions, awards, ceremonies, and updating its website may be needed to further solidify this objective. The latter will be especially true if NWGHC becomes the lead agency for eHOME America program for the state of Washington.

III. ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE

NeighborWorks of Grays Harbor County has exceeded this performance objective.

NWGHC's management structure includes a volunteer board of directors that represents a diverse community. Per its bylaws, a minimum of nine (9) but no more than fifteen (15) members, of which a majority shall be residents in NWGHC's area. Currently, NWGHC has 13 members on its board. Specifically, there are five residents; three from financial institutions; two representatives from business; and, three representatives from local governments. Board member disciplines include finance, banking, architecture, realty, government, and education

NWGHC uses a committee structure to address specialized program performance areas. NWGHC committees now include executive committee, business and finance, loan, nomination, contractor review, personnel, Grays Harbor College partnership and program development. These committees are chaired by board members, have written commissions and are comprised of business, community, and resident representatives. NWGHC has strong community/resident input and support. The board's nominating committee is tasked with identifying new board prospects, and the knowledge, skills and abilities that are needed to enhance the Board's capacity. For the future, the nominating committee should begin to look for the "next cadre of board leadership". In addition, it should continue to ensure that all new board members receive a thorough grounding to the agency's mission, values, orientation and required training/mentoring.

The new Internal Revenue Code §501(q) establishes standards that a credit counseling organization must satisfy to qualify for exemption under Code §501(c)(3). This new law applies to NWGHC if the substantial purpose of the organization is either to educate the general public on budgeting, personal finance, financial literacy, saving and spending practices, or to conduct financial counseling. In general, NWGHC needs to show a "substantial purpose" in three main

areas; mission, revenues, and expenses. An external review was conducted by the Board and management and both believe the agency fails to meet this “substantial purpose” requirement, wherein Section §501(q) would not apply.

NWGHC has established and documented a governance model and structure that clearly identifies the board, its affiliated partnerships, committees and executive management roles and responsibilities for establishing and fulfilling its mission, and for safeguarding its resources and all partnership obligations. Specifically, NWGHC is a tax-exempt 501(c)(3) nonprofit. It holds a Certificate of Good Standing in the state of Washington. NWGHC renews their Charitable Solicitations Registration (Reg. No. 53) annually and submits their Nonprofit Corporate Renewal annually to the office of the Secretary of State (UBI 600458881). NWGHC does hold a business license through the city of Aberdeen.

Duly filed Articles of Incorporation and amended Bylaws govern all NWGHC corporate operations. NWGHC'S bylaws were intact and included recent amendments. The Corporation is also a CHDO. The board is committed, knowledgeable and proactive. The NWGHC board and its membership have a profound sense of local history and a unique corporate culture. A Conflict of Interest, Whistleblower and Harassment Policy are present. Board members sign a Conflict of Interest acknowledgment statement upon joining the board. More importantly, all board members reside in the Aberdeen-Hoquiam-Cosmopolis area, contribute their time, talent, and treasure to the agency's success. NWGHC has established and documented an effective and efficient governance model.

NWGHC has established, documented and maintains meeting and reporting practices that are consistent with its governance model and demonstrate constructive dialogue, timely decisions and adequate oversight to sustain its mission, resources and communications with its stakeholders and the public. NWGHC conducts regular, transparent meetings (no fewer than four (4) regularly scheduled meetings per its bylaws) for the board. Quorums were routinely met for all meetings reviewed. Board members act with deliberation and routinely engage in robust discussions on the issues. Board attendance is strong at each board meeting. NWGHC's committees are functioning as commissioned. Board meetings and minutes did reveal the agency's unwavering commitment to sound, effective resident-led leadership and its strong commitment to mission, visioning and desired community impact.

NWGHC has established and maintains a diverse and skilled group of volunteer and continuous learning environment and leadership development programs that provide a knowledgeable, active participating partnership on its board of directors and committees. A significant factor to NWGHC's overall success is its skill at forging lasting partnerships and involving all of its partners and its staff into the organization's visioning and planning process. City leaders and local residents provide valuable input and give a strong voice to its leadership. Public and private partners (including foundations) are well represented in both local and statewide meetings. Many events included several top-level decision makers from area cities, local banks, state agencies, foundations, a local community college and various local

businesses. Board members do not hesitate to use their spheres of influence to promote the mission and the accomplishments of the organization.

NWGHC's span of operations brings it into contact with many others seeking sound, effective affordable housing development and strategies in Northwestern Washington. Indeed, the ED and his staff continue to create an increased awareness on housing issues by attending various meetings and providing needed inputs to federal, state leaders and to private housing and community development organizations. Notwithstanding these engagements, NWGHC still needs to become more 'visible' to the public. The board and management must continue to promote, support, and "sell" its positive image via speaker forums, public contacts, local events, city/county planning agendas and community outreach venues. Evidence suggests that NWGHC is now the 'go to' housing nonprofit to get things done in Grays Harbor County! More importantly, NWGHC has a great story to tell and its leaders are the perfect ambassadors for delivering this message.

The NWGHC board has established, documented and maintains a process for the annual evaluation of its paid executive leadership in fulfilling all defined roles and responsibilities. NWGHC's executive director is committed, knowledgeable and experienced and works exceptionally well with the board. The personnel committee evaluates his performance annually. A recent evaluation of the ED had been conducted (August 2011), was positive and is a matter of record. The ED was objectively evaluated and he had clearly met all established board-approved objectives.

Prudent business practices dictate that management made adequate plans for its future. A key element of that business planning involves succession planning for its leadership. Today, NWGHC has two succession plans in place. The first is for its financial manager and second is for the ED. The former is in approved form, but the latter is in draft form only. For the future, NWGHC needs to adopt its written ED succession plan to ensure its business continuity in either his planned or unplanned absence.

The NWGHC board engages in a self-assessment process at least once every three years to evaluate its performance and capacity in achieving the objectives noted above. This process was recently completed (October 2011) and complete results are being compiled for board analysis and review. More importantly, a broad consensus will need to be reached on any needed actions to enhance its organizational structure, oversight/reporting practices, new/existing programs, and the effectiveness of communications among its membership, executive director, staff, task groups and stakeholders for the future. Subsequently, all actionable survey results will need to be codified into its plans.

IV. MANAGEMENT – STAFFING AND PERSONNEL MANAGEMENT

NeighborWorks of Grays Harbor County has met this performance objective.

NWGHC's ED supervises six full-time employees and two part-time employees. The review noted that NWGHC has established and maintains highly effective staff recruitment and skill development programs to provide and retain a knowledgeable, committed staff. Routine daily contact and frequent team meetings support complete staff coordination, intensive job collaboration and good cohesion for maximum overall effectiveness. Several key NWGHC leadership positions, including its ED, financial director, construction manager, and housing counselor each have over 17 years of service. Other NWGHC staff members have been employed from four months to about 11 years. The entire NWGHC staff appear capable and creative. It is also evident that each NWGHC staff member fully supports the agency's mission. Frequently, staff members attend trainings about new finance, audit, lending and building code rules and regulations, thus creating even greater capacity to deliver on all its existing programs and services. Staff functions well as a team and support each other. The director and each staff member tracks monthly progress against annual goals and work plans. NWGHC board members spoke very highly of staff, as did funders and partners.

NWGHC has established and documented a staffing model and structure that clearly identifies all its employees, their job titles and responsibilities for fulfilling NWGHC's mission, program services, internal operations and partnership obligations. NWGHC's board-approved policies guide all personnel, but do need a formal review and updating. Written job descriptions were present for each job and were changed as needed. Work plans were developed and guide daily staff performance. NWGHC's compensation and benefits package is both progressive and competitive.

NWGHC has established and documented human resource policies and maintains a practice of providing annual (or periodic) evaluations of its paid staff, contractors and professional service employees in fulfilling their defined roles and responsibilities. NWGHC's Personnel Policies (1996) require fair, prudent, effective human resource management and its administration. Existing policies appear to be complete and compliant with basic Federal, State and local laws as well as prudent business management practices. Public employment notices are required and were clearly displayed. Annual performance evaluations are required. All annual staff performance evaluations had been recently completed in FY 2011.

NWGHC's director of finance maintains all personnel and human resource records. Likewise, she calls in all recorded time bi-weekly to ADP and handles the human resources role. A personnel file review was conducted while onsite. NWGHC personnel files were well maintained and contained I-9s, wage and salary information, personal contact info, health and beneficiary forms, the staff member's application/personal resume, current job description,

his/her annual evaluations, W-4s, employee benefit programs, 403(b)/SEP plan info, personnel actions, etc. NWGHC personnel files are maintained in a secure location with restricted access. Confidentiality of personnel files was observed and all files reviewed were found to be complete.

NWGHC has established and maintains staff recruitment, compensation and skill development programs that provide and retain a knowledgeable and committed staff. Staff and management are professional, knowledgeable and committed to the NWGHC's mission and community work. Staff capacity appears adequate to support all lines of business. NWGHC is committed to professional development, as many staff members have attended trainings, both locally and nationally. Both home ownership staff has the necessary certifications to meet all requirements for homebuyer education, pre- and post-counseling, mortgage lending and SAFE Act lending certifications. These staff members reflect a deep pool of knowledge—that is, more than one person is certified in each of the key FCL components—(HBE, mortgage lending, loan portfolio management, and pre- and post-purchase counseling). The extent of training supported by NWGHC reflects the value it places on staff development. Training is viewed as value-added, both the individual and the agency.

NWGHC is encouraged to establish, document and maintain staff meeting and reporting practices in a manner that is consistent with its staffing model and results in timely and coordinated activities and decisions to sustain NWGHC's health, internal operations and services. Staff morale was high and employees emphasized a strong sense of teamwork. The organizational structure is consistent with its business lines and communications are efficient and effective. In fact, the ED holds regular staff meetings almost daily with each staff member. This system serves to promote open communications, unit cohesion and keeps all staff aware of the achievements made and the challenges present. Today, due to high client volume and activity, cross training is strongly encouraged by management. NWGHC stresses staff development and training, where and when feasible. This small outlay can yield big personal, professional and corporate benefits. It can also increase morale and unit cohesion. Lastly, NWGHC should plan and do more team-building events (if possible) to show staff appreciation, preclude staff burnout and prevent the loss of job focus.

NWGHC Bylaws state that its Personnel Policies [Article VIII] will be reviewed at least every two years and current copies distributed to all staff and directors. NWGHC's existing policies are dated January 1996 and should be reviewed for update by the personnel committee, corporate counsel and subsequently approved by the full board.

Area for Improvement

- This issue will be effectively addressed when the following outcome has been achieved: within 90 days of the final program review report, the NWGHC Personnel Committee has reviewed and the NWGHC board has duly adopted its revised personnel policies.

V. PLANNING

NeighborWorks of Grays Harbor County has met this performance objective.

NWGHC's mission is, "to develop partnerships in the community between business and government leaders and residents to create safe and affordable housing opportunities for all residents of Grays Harbor County."

NWGHC has developed its annual operational plan to guide its operations. A major change from its previous Plan is a reduction in its existing lines of business from five to three and certain combinations of activities have changed to match the "new normal" business conditions and the dynamics of today's uncertain financial times. NWGHC's new lines of business (LOBs) are housing services, asset management and community building. Specific goals and milestones have been developed for each of its new business lines.

NWGHC's Strategic Operating Plan for 2011-2014 began on July 1, 2011. The board of directors laid the foundation for it by using a three-step planning process that included a SWOT analysis of both the community and NWGHC. Understanding this "lay of the land" allowed the board to then to set a three-year Vision for Success. The Vision for Success represents the hopes and aspirations of all the board members for the future of NeighborWorks in the community. The second round of the planning process then passed to the NWGHC staff. This step in the planning process was to prepare three-year work plans that will implement the strategies by clarifying actions, outcomes, responsibilities, timelines, and resources. Building the three-year work plan was a consensual team effort that involved all of the staff reviewing and amending the work of others. The outcome of this effort was a series of distinct, coordinated set of actions within NWGHC's lines of business, which at the end of the three-year planning period will achieve the board's Vision for Success. The last step in the planning process was for the board of directors to review the work of staff to ensure it clearly defines its Vision for Success. The board reviewed and approved the plan at its September 2011 meeting.

NWGHC's Operational Plan includes two, new planned program initiatives. Specifically, the plan narrates these potential program growth opportunities, i.e., eHOME America (Hub and Spoke Model) and a Target Neighborhood Revitalization Project. The former seeks to establish NWGHC as the prime "facilitator" for promoting greater homebuyer education and certification via the internet. The latter seeks to demonstrate the viability and impact of a tightly focused, but effective neighborhood revitalization effort.

Many major colleges and universities around the country have now transitioned much of their curriculums using the internet teaching and learning model. For many, distance learning now holds some key attractions over the traditional classroom venue. Ostensibly, eHOME America learning will include HUD-approved certificates, a standardized curriculum, uniform registration and grading, distance learning (thereby avoiding long commutes from rural

locations), and the ability of prospective home owners to complete all requirements at their own pace, anywhere and at anytime (maximum flexibility). Seemingly, this program would be a perfect fit for NWGHC, given the rural setting and such a large state. NWGHC seeks to become the vanguard for all other nonprofits in the state of Washington.

Housing needs in Grays Harbor county change frequently. Staying fresh and effective as an organization and one that can respond to the community requires NWGHC to regularly assess the housing needs of its client base. Some of the potential projects that the board should begin to explore through this process are to determine if there is a need to return to the focused neighborhood approach – working with local cities (Aberdeen, Hoquiam, or Cosmopolis) to select distinct neighborhoods for comprehensive housing redevelopment and infrastructure revitalization. Other concepts could include a renewed focus on affordable (single room occupancy or SRO) veterans’ housing or examining some adaptation of the Habitat for Humanity model for clients who put sweat equity into the construction of their homes. Each strategy can help to ensure greater partnership engagement and outreach, grow the organization and possibly provide new sources of revenues or fees in the future.

VI. TECHNICAL OPERATING AND COMPLIANCE SYSTEMS

NeighborWorks of Grays Harbor County has met this performance objective.

NWGHC has established, documented and maintains a contract management system that identifies oversight, documentation and reporting responsibilities to ensure compliance with its resources, internal capacity and program service contracts/agreements. Although each NWGHC contract and written agreement has its own provisions, terms, guidelines and reporting procedures, all are properly evaluated for compatibility with NWGHC’s goals, objectives, program outcomes and impact. In addition, all NWGHC agreements are screened by staff to ensure complete conformance with defined client eligibility, household incomes, geographic applicability, etc. prior to their execution. NWGHC’s ED is charged with primary contract oversight, control and compliance. The director of finance and construction manager are charged with its day-to-day administration, billings, cost allocations, project management, HQS construction guidelines and all reporting responsibilities.

NWGHC has established and maintains a process to review all contracts and agreements prior to their approval. Specifically, the ED submits all contracts and agreements to the full NWGHC board for its final review and approval. The board’s consent agenda accompanies all NWGHC contracts/agreements. Key funding sources include the city of Aberdeen (CDBG and NSP); the city of Hoquiam (CDBG); USDA Rural Development; Housing Authority of Grays Harbor County; NeighborWorks America (Comprehensive Housing and Reverse Mortgage Counseling, Community Building and Capital Grants); and, Washington State Housing Finance Commission (National Foreclosure Mitigation Counseling (NFMC) and Neighborhood Initiative). Current and former partners include Habitat for Humanity, Grays Harbor College and High School, Coastal

Community Action, Rebuilding Together, Work Source, FEMA, and many others. With a recent capital award, the current Investment and Grant Agreement now stands at \$836,619.

At June 30, 2011, NWGHC received various grants and awards for many sources. However, some were temporarily restricted (expendable) and others permanently restricted (capital). Expendable grant income sources included NeighborWorks America (\$107,861); Housing Counseling (\$28,358); NSP Administrative (\$3,196); NSP-Habitat for Humanity (\$117,294); CDBG8 Heat Pump Grants (\$43,146); and, Grays Harbor College Work Study (\$1,654). Capital grant income sources were NeighborWorks America Downpayment Grant (\$18,766); CDBG8 Grant-Rehab Loans (\$257,853); CFRAH Grant- Rehab Loans (\$77,736); NSP-Aberdeen (\$299,535); and, NSP-Hoquiam (\$210,804). All grants and funding cycles include close monitoring to preclude missed opportunities.

NWGHC's service delivery procedures, practices, client management systems, documents and records comply with regulations and partner expectations and provide accurate and timely production reporting to NeighborWorks America and other significant funders. A process is in place to ensure that policies, procedures, practices, records and client management systems practices stay current with organizational changes, applicable regulations and its line of business standards. NWGHC staff members exercise effective and efficient administration, records are maintained, and reports are filed on time to meet partner expectations. All corporate insurance policies are maintained and current. Evidence and interviews suggest the staff takes these responsibilities seriously. As a HUD housing counseling agency, NWGHC is required to stay current on all required annual and quarterly production reports, including the submission of all required HUD 9902 reports. All funder reports were current and timely. Evidence and recent monitoring further suggests no findings and compliance with all funders.

NWGHC has the following policies and procedures in place to sustain its lending and property management operations: Loan and Lending Guidelines and Property Management Plan and Guidelines. NWGHC's construction management is supported by HUD's Housing Quality Standards (HQS) and ABC Specs software, which creates cost estimates, spec writing and facilitates effective project monitoring and progress. Project files are well organized and maintained by the project manager. Following closure of rehab and repairs, the construction file is incorporated with the loan file. Loan files included proper standard stacking and each had loan committee approvals. Lastly, a whistleblower policy and certain conflict of Interest policies for both board and staff were present, as were record retention and document destruction policies/procedures.

NWGHC periodically evaluate its service delivery policies, procedures, practices and client management systems to maximize staff service delivery efficiency, coordination and to provide annual and multi-year trend analysis. Recently, (December 2011) NWGHC updated its computers and systems. This new infrastructure will allow NWGHC to use and update older software as well as run its newer programs. Today, NWGHC now employs a networked computer system served by multiple servers. Data and programs are backed up daily. Full off-

site cassette rotation is mandatory. NWGHC also contracts with a local IT provider who provides technical assistance for its computer and Internet functions.

Although NWGHC's technical infrastructure and support systems are more than adequate, monitoring NWGHC's adopted goals through these systems tends to be somewhat static and limited. See the table below.

2012 NWGHC Y-T-D Goals and Outcomes (July 1,2011 - January 20, 2012)*					
	Rehab	Counseling	1 st Mortgage	DPA	Counseling Oversight
Goals	20	60	40	2	20
To Date	14	25	18	2	23

* NWGHC Board Meeting Production Report, January, 2012.

Effective goal management/monitoring/tracking requires something more, especially when viewed in the context of a complete corporate scorecard needing a dynamic analysis. Simply put, plans change along with resources, capacity, deployment of assets, seasons, personnel, etc. Management must be able to quickly adapt to and report on any leading or lagging indicators. Furthermore, maximum flexibility is needed to adjust plans quickly because of funding sources, programmatic changes, external factors, etc. Clearly, NWGHC systems should be evaluated to ensure they fully support dynamic goal monitoring and reporting when paired with the agency's strategic plan. Today, there is only a basic set of dashboard indicators being used to assess and monitor progress for each of its lines-of-business (LOB). For the future, only a global agency scorecard (via an enhanced dashboard for all operations) will do to effectively measure overall goals, objectives, outcomes and impact. As stated, NWGHC has 37 units of property. Prudent management dictates that they should perform according to pro formas. Some properties are now for sale or have been rented or repurposed; two others currently remain vacant. NWGHC also notes that one particular challenge has been the project-based Section 8 units and a high turnover rate. People really moved around (42 percent turnover) creating lots of work for maintenance to get them quickly back on line for lease-up. NWGHC's management reports other ongoing challenges as well. For example, it reported a nine-month vacancy of a four-bedroom unit that could not be rented for a three-bedroom unit, per the local Public Housing Authority's policies. The latter has since pledged to give NWGHC's management more updated tenant lists (household size) for its decision-making. Lastly, Sunrise Court continues to exact a toll, both on staff time and organizational finances. Options should be explored with both the Housing Authority and the state (debtholder) to explore an exit strategy for this venture, without injury to the Housing Authority, NWGHC's reputation, or impact to the rental clients.

Area for Improvement

- This issue will be effectively addressed when the following outcomes have been achieved: within 90 days after receipt of the final program review report, the NWGHC board and

management have developed a disposition strategy for its the project-based Section 8 units. This may mean engaging the services of its corporate attorney and/or a real estate attorney

OVERALL CONCLUSION

NWGHC is recognized as a strong leader in neighborhood revitalization efforts in Grays Harbor County. With a small, but highly motivated staff, NWGHC continues to stretch beyond its core competencies in both single- and multi-family developments, and has done so quite successfully. Clearly, NWGHC has gained the confidence of all its partners and the envy of local competition. The impact within its respective service areas is visibly noticeable and significant.

Today, NWGHC is celebrating its 30th year of unselfishly serving Grays Harbor County. By all accounts, NWGHC is considered to be a strong organization, with effective leadership from its board, partners, ED and staff and does a great deal of good things for groups of people who may not otherwise receive the help they need. Most importantly, NWGHC is truly the catalyst for making Grays Harbor County a better place to live, grow, work and play.

This review examined NWGHC against six specific, PROMPT™ performance dimensions. These are the benchmarks used to evaluate the performance of all members of the NeighborWorks Network. We congratulate your achievements. NWGHC exceeded some and met all of the performance objectives outlined herein. The Areas for Improvement noted can be quickly fixed.

NWGHC's long-term challenge, however, will be to strategically manage all its assets, both effectively and efficiently. The organization's mission, partners, staff capacity and financial resources are all aligned to meet new progressive geographical and programmatic opportunities. Given the level of dedication, talent and skills of both the staff and board, NWGHC will rise to meet this challenge.

APPENDIX A - NETWORK COMPARISONS

NeighborWorks America uses several financial indicators and metrics to assess overall financial performance. The following ratios permit the reader to compare NHGHC's medians to Pacific Region as well as all NeighborWorks America nonprofits (see below).

	2011	2010 Medians	2010 PD
	NWGH	All NWOs	Medians
Current Ratio	1.4	2.3	1.8
Quick Ratio	1.3	1.2	1.2
Total Days cash	501	138.2	129.5
Unrestricted Current Ratio	0.7	1.7	1.5
Unrestricted Quick Ratio	0.5	0.7	0.6
Unrestricted Days cash	204	83.7	78.9
Defensive interval	15.4	7.5	8.8
Program Service demand Ratio	47.9%	80.7%	81.1%
Grant Dependency Ratio	76.5%	58.9%	45.2%
Management & General Ratio	9.3%	9.8%	8.2%
Days in Payable	12	31	37
Financial Sustainability Ratio	178.8%	99.6%	99.3%
Debt Ratio	49.7%	86.6%	86.6%
Short-term Debt Ratio	16.8%	18.4%	20.7%
Capital Ratio	66.8%	52.4%	38.5%

NWGHHC also uses several automated service applications and systems for its customer tracking, file documentation and reporting. Specifically, NWGHHC has installed to the following application software systems to support each of its dedicated lines of business (see below).

NWGHHC Technical Operating Systems Applications Survey	
Operating System Function	Operating System Software Application
• Accounting/Bookkeeping/Reporting	• Sage MIP® Fund Accounting
• Real Estate Development (RED)	• MS Office® (MS Excel®)
• Project Estimates/Design Specs	• ABC Specs and Forms®
• Design Drawings and Architecture	• Chief Architect®
• Homeownership Customer Tracking	• CounselorMax®
• Fund Raising/Resource Development	• MS Office® Suite (MS Excel®)
• Productivity and Job Analysis	• MS Office® Suite
• General NWGHHC Office Operations	• MS Office® Suite
• Loan Servicing and Tracking	• Express® and LSSI Servicer 3d
• Loan Origination and Underwriting	• Ellie Mae Encompass®
• Loan Closing and Documentation	• Ellie Mae Docs®
• Payroll and Tax Reporting	• ADP® Payroll Servicing
• Website/Development	• Expression Studio 4 Web Pro®

APPENDIX B – NWGHC HIGHLIGHTS OF ACCOMPLISHMENT

Production/Program Services: Programs and services are consistent with its mission and its partnership interests. NWGHC is meeting all production requirements for type, quality, quantity and impact through the creation of high quality, affordable housing and homeownership opportunities for low and moderate-income families and individuals in its tri-county service territory as evidenced by the following achievements:

- Seeking to expand its homeownership services into some adjacent counties, i.e., Grays Harbor, Pacific, Mason, Thurston and Lewis counties. In order for NWGHC to sustain their operations long term, NWGHC needs to figure out the best way to do this expansion, both geographically and programmatically. Pacific Region is in full support of NWGHC expanding both geographically and programmatically.
- NWGHC program accomplishments in FY 2011 (through June 30, 2011) were:
 - 1) created 81 new home owners;
 - 2) rehabilitated or repaired or retained 69 rental or owner-occupied units (1-4 units);
 - 3) helped 27 households to attend its pre-purchase homebuyer education workshops;
 - 4) counseled 34 households on foreclosure options;
 - 5) owned or managed 29 units;
 - 6) created direct home ownership investment of \$9,017,984; and,
 - 7) facilitated existing owner rehab investment and foreclosure home retention investment of \$548,901.
- NWGHC program accomplishments in FY 2012 (July 1, 2011 through January 20, 2012) were:
 - 1) completed 14 rehabs for home owners;
 - 2) counseled 25 new clients;
 - 3) facilitated 75 new first mortgages;
 - 4) closed two loans using down payment assistance;
 - 5) closed supervised project management of 23 units; and,
 - 6) proactively monitored 41 properties for contract, sale or lease.
- Fostered numerous innovative partnerships, including partnerships with the city of Aberdeen, Hoquiam and with the local Grays Harbor high school for new products, programs and services.

Resource Management: NWGHC has created a strong asset base and balance sheet that enjoys low debt and high liquidity. It continues to pursue new sources of income and hold the line of expenses. A budget has been adopted and is in surplus. Overall, financial sustainability has been achieved and internal controls are working as prescribed, as evidenced by:

- Continued strong balance sheet and asset growth from 2010 to 2011, i.e. cash and cash equivalents are up over 83 percent; total assets are up over 12 percent; total liabilities are slow growing at less than 3 percent; net asset growth is up over 18 percent.

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- Defensive interval is 15.4 months versus NW net median of 7.4 months.
 - Day's Accounts Payable at 12 days; NW net median of 29.3 days.
 - Total support revenues are up over 37 percent and earned revenues hold a fairly stable trendline.
 - Strong internal controls/procedures with robust MIP fund accounting system that is well managed and working as prescribed.
 - Strong financial oversight present with board, treasurer, finance, and executive committee.
 - Continue "Nailing it Down"; Paint the Corridor and existing community relations efforts.
 - NWGHC made the following FY 2012 OU and TA requests: \$150,000 for OU and \$400,000 for RLF lending. NWGHC also requested a consultant to assist them with exploring expansion opportunities and another consultant to assist them with identifying/determining a target neighborhood to provide rehab services.

Organizational Management and Board Governance: NWGHC engages the active participation and collaboration of key community partners and resident leaders and sustains an effective and highly engaged board and executive staff of an unprecedented level as evidenced by:

- Strong board and committee attendance over last 24 months, routinely meeting quorums and aggressively dispensing with agendas (budget approval, strategic plan, new program planning/development, new contracts, audit and IRS 990 review with accountant, etc) all the rule.
- Resident-led and CHDO designation and strong participation of local residents on board.
- Increased efficiency of board meetings, i.e. using consent agendas and director's reports. Routine business and finance committee meetings; strong board member engagement using their respective areas of expertise.
- RM coordinated board's use of BoardSource's self assessment tool to conduct a board self-assessment; results being compiled and analyzed
- Formal board self assessment and results included in its strategic/operational plans;
- Conducted a formal written ED evaluation in August 2011. This should be an annual event conducted by either the full board or its personnel committee. The ED needs this review to ensure he is meeting all board-defined goals and objectives and his personal growth and professional development.

Management – Staffing and Personnel Management: NWGHC has established an effective personnel policies, administration, and staffing plan that promote highly effective and efficient operations. It has created a strong, progressive work environment that facilitates fair treatments, adequate compensation and fringe benefits and promotes both personal and professional growth and development. NWGHC has an effective, cohesive team of dedicated, knowledgeable staff capable of delivering services that fulfill the organization's mission as evidenced by:

- A strong staffing model and strategy consistent with the growing program complexity;
- Updated staff salaries and compensation levels;

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- Hired new receptionist for improving communications, productivity and support PAM operations.
 - Facilitated required staff training to meet Safe Act mortgage lending certifications.
 - Completed 100 percent of all required annual staff employee evaluations.
 - Encouraged staff member participation in the agency's strategic planning process.
 - Made various training and staff development opportunities available to staff.

Planning: NWGHC has established an effective planning process that promotes both its vision, values and codified that vision into a strategic, long-term plan for the organization based upon the needs of the community and the mission of the organization, effectively tracks progress against plans and refines service delivery strategies as evidenced by:

- Adopted a comprehensive multi-year operational plan, including SMART performance goals by line of business, including a capacity assessments, giving special attention to its strengths, weakness, threats and opportunities (by both board/staff/partners).
- Promote a strong community presence and visibility (name change to NWGHC); strengthening its overall marketing and outreach efforts (eHOME America, NSP, CDBG) to ensure that products and services are meeting the needs of its customers.
- Installed a systematic planning oversight process (using a dashboard and key program indicators/metrics) that ensures production reviews of progress against plans, environmental scan, and any plan revisions needed.
- Conducting a community market analysis and survey to assess community needs.
- Planning its annual meeting event March 2012 with staff and board members.
- Creating supporting plans and relationships re: resource development efforts, new RLF, funding, marketing efforts, program expansion, etc.) to ensure its long-term viability and sustainability.

Technical Operating Systems and Compliance Systems: NWGHC has established and maintained a coordinated and effective contract management system that effectively identifies all management and oversight responsibilities and enables its operations to remain in compliance with funder requirements as evidenced by:

- An established practice of evaluating the impact of contracts and agreement prior to their approval, in particular with attention to the impact on staff capacity;
- Contract oversight procedures and responsibilities are well defined;
- Contracts are well vetted by both the ED and board prior to their execution;
- Installed new server to increase overall productivity and organizational efficiency.
- Partners reported 100 percent compliance with all contacts and timely, accurate records and reporting;
- Policies and procedures in place for all programs and services;

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- Loan, construction and property management files are thorough, well-documented and easily accessible. Simply put, all files and required documentation are complete and meticulously maintained; and,
 - Written contracts are in place for all agreements with partners.

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