

Housing Resources of Western Colorado

NEIGHBORWORKS AMERICA: OCT 2018 – JAN 2019

BUSINESS STRENGTHENING CONSULTING ENGAGEMENT

2019 STRENGTH MATTERS FINANCIAL MANAGEMENT CONFERENCE

SEPTEMBER 18, 2019

Catalysts for Engagement

- Concerns of NeighborWorks and HRWC Board Regarding Financial Position
- Desired Profitability and Cash Flow Analysis for Each Line of Business
- Prior Business Strengthening Engagement Cut Short

Process

- Parameter-Setting Phone Call
- Data Dump
 - Financial Indicators and Key Figures
- On-Site Visit
- A Lot of Collaborative Give-and-Take
- On-Site Board Presentation

Output

- Three-Year Cash Flow Model
- Growth Assessment Methodology
 - “Strategy Screens”
- Summary Points

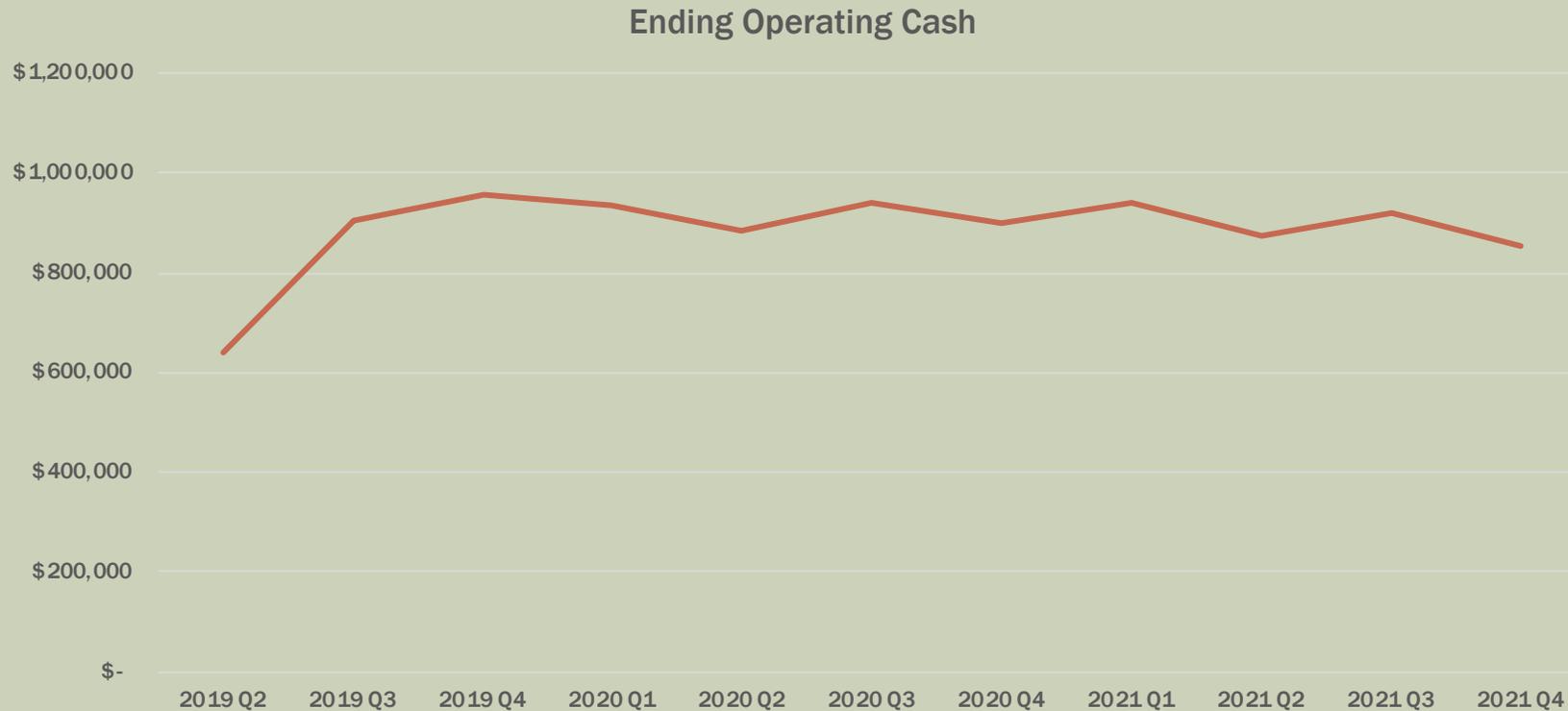
**CASH FLOW BY LOB/COST CENTER
(EXCL. INDIRECT ALLOCATION)**

	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Rentals & Property Management	\$ 83,467	\$ 83,467	\$ 83,467	\$ 83,467
Single Family RE Development	\$ (70,217)	\$ 2,540	\$ 85,595	\$ (29,405)
Self Help	\$ 93,208	\$ 1,317	\$ 159,717	\$ 63,717
Weatherization	\$ 4,878	\$ 4,878	\$ 4,878	\$ 4,878
Rehab	\$ 22,287	\$ 22,287	\$ 22,287	\$ 22,287
Critical Home Repair	\$ 17,916	\$ 17,916	\$ 17,916	\$ 17,916
Homeownership Programs	\$ 11,477	\$ 11,477	\$ 11,477	\$ 11,477
Resource Development	\$ (10,363)	\$ (10,363)	\$ (10,363)	\$ (10,363)
Support Services	\$ (85,131)	\$ (85,131)	\$ (85,131)	\$ (85,131)
Corporate Debt	\$ (71,722)	\$ (26,557)	\$ (26,433)	\$ (26,309)
Contingencies / Corrections	\$ -	\$ -	\$ -	\$ -
Total Cash Flow in Period	\$ (4,200)	\$ 21,832	\$ 263,410	\$ 52,534

KEY DRIVERS

	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Staffing Expense	\$ (504,473)	\$ (504,473)	\$ (504,473)	\$ (504,473)
Rental Property Revenue	\$ 400,510	\$ 400,510	\$ 400,510	\$ 400,510
Rental Property Cash Flow	\$ 48,121	\$ 48,121	\$ 48,121	\$ 48,121
Operating Grant Revenue (excluding Self Help Admin)	\$ 557,132	\$ 557,132	\$ 557,132	\$ 557,132
Self Help Admin Revenue	\$ 43,200	\$ 72,000	\$ 230,400	\$ 134,400

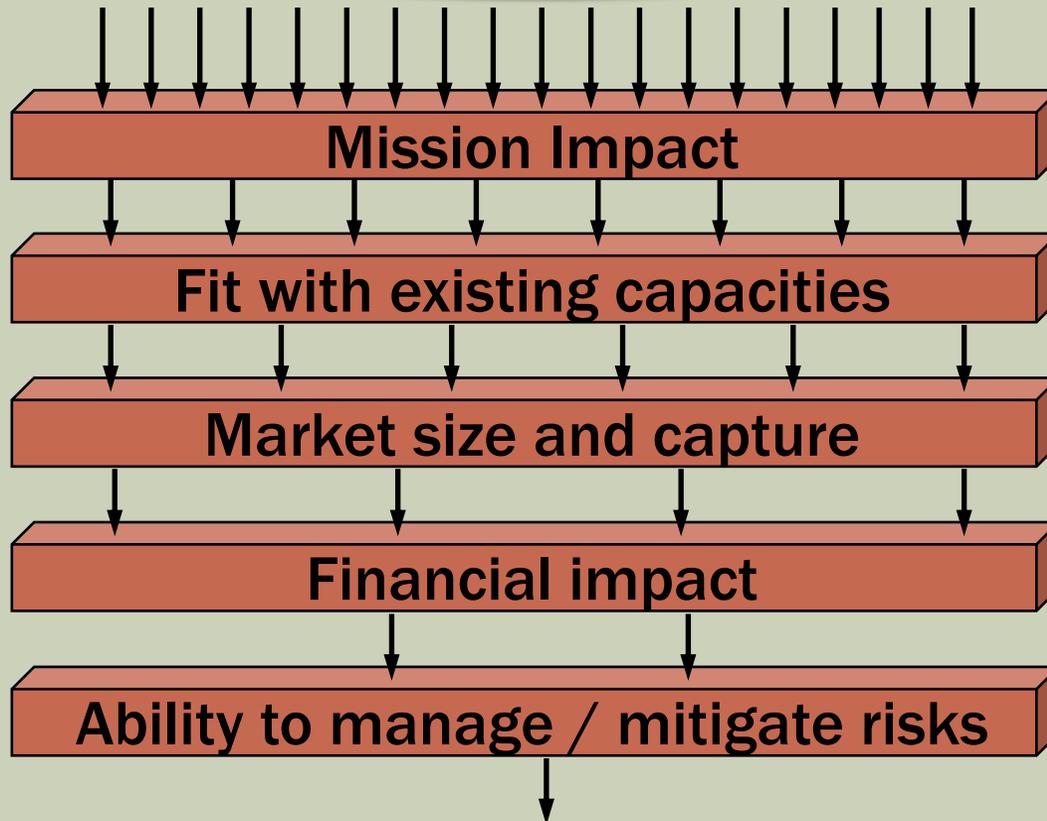
BASELINE SCENARIO RESULTS



- Projected increase in operating cash levels, from \$622,556 as of FYE 2018 to \$855,437 by FYE 2021

“STRATEGY SCREENS”

Which Opportunities To Pursue?



HRWC can customize not only which screens it employs, but clarify *what each screen means for your organization*

Source: David LaPiana, "The Nonprofit Strategy Revolution"

FURTHER SELF HELP PARTICIPATION

Mission Benefits	Address pressing need for additional affordable housing in the region. Enables home ownership – in a brand new home – for residents who otherwise could not afford one.
Fit with skills / capacities	HRWC has successfully completed self help projects in the past and already owns multiple, useable sites. Availability of subcontractors presents a challenge.
Market size / capture	Ongoing interest in program exists but getting people to qualify has been problematic at times.
Financial impact	Requires substantial cash outflow up front, i.e., cost of lots and infrastructure. Cash inflow is cyclical and can be hindered by unforeseen delays in construction and government funding.
Risk management	Difficulty in getting clients to qualify; entrance into new markets; interpersonal dynamics re: participants' acting in teams; positive bottom line susceptible to multiple, everchanging factors – some controllable, some not.

SUMMARY

- HRWC appears to have bounced back from a difficult year in 2017
- Liquidity and capitalization appear healthy
- Earnings performance has improved
- Rental properties have been the biggest, most consistent contributor to financial health
- Current management team is on top of the financials and engaged in modeling / planning for sustainability

HRWC Response / Takeaways

- Leadership
 - Confidence Builder
 - Tools to Evaluate Future Growth Opportunities
 - New Fundraising Ideas, e.g., “Ski Days”
- Board
 - Reassurance
 - Increased Risk Tolerance
 - Confirmation that Property Development Is “Lumpy” – Some Good Years, Some Bad

Benefits

- Intangible
 - Atmosphere
 - Approach
- Tangible / Tactical
 - To Be Determined