

**NEIGHBORWORKS AMERICA SELF-ASSESSMENT FOR AFFILIATION
TO THE NEIGHBORWORKS NETWORK**

May 2019

NEIGHBORWORKS AMERICA ORGANIZATIONAL SELF ASSESSMENT FOR AFFILIATION

The *Organizational Self Assessment for Affiliation* is designed to help organizations interested in joining the NeighborWorks® Network assess their ability to meet the requirements of network membership. Included below is information about the network, threshold requirements, standards that must be met after joining the network, and the application process.

About the NeighborWorks Network

The NeighborWorks Network is a network of excellence made up of nearly 250 non-profit organizations across all 50 US states, Washington, DC and Puerto. The network was born of the ideas and passion of individual residents who believed they could transform their communities. We consider local voices critical to the success of the work of these organizations and their communities. Our network serves diverse populations in large and small, and rural and urban communities. Organizations are rigorously assessed against various organizational, financial and board governance standards. Our network includes some of the very best community development and housing organizations in the country who get results for the communities they serve. The network focuses on collaboration through peer sharing and on-going professional development so each group can improve and the field as a whole can benefit. Organizations offer services and approach to meet the unique needs of their community, offering a range of services, from homeownership counseling to the development of a variety of housing types to community gardens.

For more information about the work of the network, please visit [our impact map](#).

About the Affiliation Process

“Affiliation” refers to the process by which organizations join the NeighborWorks Network. Membership in the NeighborWorks Network represents a long-term partnership between NeighborWorks America and the network member organizations. There is a commitment of making resources available to the organization over the years of network memberships, including grants, training, technical assistance, and peer learning opportunities. The affiliation process is appropriately rigorous and thorough given the long-term nature of the relationship and the level of resource support.

The affiliation process is multi-stage, with progressive levels of information required. The application process begins with submission of documentation regarding threshold eligibility requirements and completion of an application form consisting of questions about the organization’s mission and strategic goals, management, board governance, resource development, financial management, and program services. Based on a review of the threshold documents and application submission, NeighborWorks America will select finalists to progress to the assessment stage, which includes a comprehensive financial assessment and on-site organizational assessment. The entire affiliation process is expected to last 15-24 months. At any stage in the process, either NeighborWorks America or the applicant may decide to terminate the affiliation application.

NeighborWorks America will periodically open the affiliation application at which point more specific instructions will be provided detailing the entire affiliation application process.

The affiliation process is designed so that NeighborWorks America and the applicant organization can get to know one another well and set the foundation for a long-term partnership. Given these parameters, the affiliation process requires an investment of time on the part of both NeighborWorks America and the applicant organization.

Because of the level of effort associated with submitting an affiliation application, the *Organizational Self-Assessment for Affiliation* is provided to help organizations interested in joining the NeighborWorks Network develop a realistic assessment of their ability to meet the requirements and submit a competitive application. Interested organizations are strongly encouraged to complete the self-assessment prior to starting an affiliation application.

Threshold Requirements for Affiliation

The questions below relate to the basic threshold requirements for eligibility in the NeighborWorks Network. Organizations must be able to truthfully answer yes to questions 1, 5-10 and either questions 2-3 or question 4 in order to meet the minimum eligibility requirements.

- Please note: Organizations that do not meet the minimum eligibility requirements at the time of submitting an application for affiliation will not be selected as a finalist and progress to the assessment phase. The exceptions are the board composition requirements (questions 2-3), which must be met after being selected as a finalist and invited to the on-site organizational assessment stage, roughly 6-9 months after application submission.

1. Does your organization's mission support creating opportunities for people to live in affordable housing, improve their lives, and strengthen their communities? Learn more about the [NeighborWorks America Mission Statement](#).

2. Does your organization's board of directors consist of at least 1/3 residents or resident representatives of the applicants' service area residents or resident representatives?

3. Does your board of directors reflect a partnership among resident leaders, and the private business community and public officials?

4. If the answer to question #2 or #3 is no, is your organization's board of directors willing to change its composition in order to meet the requirements described no later than 6-9 months after submitting an affiliation application?

5. Does your organization have 501(c)3 tax exempt status approved by the Internal Revenue Service?

6. Is your organization in good status with the state in which the organization is headquartered?
7. Is your organization an independent nonprofit not controlled by any other organization, including no other organization appointing a majority of your organization's board of directors?
8. Does your organization maintain a financial management system that complies with generally accepted accounting principles (GAAP) and includes adequate internal control systems?
9. Can you provide at least two years of consolidated financial audits covering your organization's most recently completed fiscal years?
10. Does your organization, through the board of directors, maintain a conflict of interest policy, applicable to its directors, officers and staff?

Requirements for Network Members After Affiliation

The questions below relate to the requirements organizations must meet after joining the NeighborWorks Network in order to give potential applicants a better understanding of the expectations of network members. Organizations within the network that fail to meet these requirements over an extended period of time eventually could have their network membership revoked.

11. Is your organization willing and able to produce an unqualified consolidated annual audit conducted by a certified public accountant and annually send a complete financial audit package to NeighborWorks America within 180 days of the close of the organization's fiscal year? The audit package submitted to NeighborWorks America should include annual audit, accompanied by a Single Audit (if required by OMB Uniform Guidance at 2 CFR 200), management letter (if any), and a copy of the organization's filed Form 990.
12. Is your organization willing to submit reports to NeighborWorks America in the form, detail and timeframes required by NeighborWorks America and to comply with reasonable changes in reporting requirements over time? Standard required reporting includes detailed quarterly production reports and comprehensive annual reports. Learn more about the reporting requirements in Appendix A.
13. Is your organization willing to participate and cooperate fully in regularly scheduled on- and off-site program reviews (including any subsidiaries or related organizations referred to as sub-recipients) conducted by NeighborWorks America or its designee? Note, the general review schedule calls for a full on-site program review every 36 months and off-site reviews in the intervening years. Learn more information about the review process in Appendix B.
14. Is your organization willing to abide by the performance standards and associated organizational health ratings established by NeighborWorks America and assessed by the review process described in question 13?
15. Is your organization willing to clearly and consistently convey membership in the NeighborWorks network? This includes at minimum use of the "NeighborWorks Chartered Member" logo on all

stationery, business cards, Web site home page, newsletters, printed or electronic, signage at the organization's headquarters office, annual report and informational brochures.

16. Is your organization willing to contribute to the overall strength of the NeighborWorks Network through engagement and collaboration with both NeighborWorks America, other network member organizations, and individual colleagues within the network? This may include, but is not limited to, sharing best practices, serving on network advisory and ad hoc committees, hosting peer site visits, providing technical assistance to other network members, and participating in network convenings.

For More Information

Contact affiliations@nw.org for more information about membership in the NeighborWorks Network and the affiliation process.

APPENDIX A: NeighborWorks America Reporting Requirements Overview

Members of the NeighborWorks® Network are expected to complete several reports every fiscal year.

The most important of these reports are:

The Quarterly Production Report (QPR):

The NeighborWorks® Network Quarterly Production Report captures the quarterly output of programmatic activities executed by network organizations across various lines of business. It measures the value of these activities in terms of new dollars invested in the community and the number of clients/housing units created. The data is used for NeighborWorks® America internal analysis and grant-making decisions.

Currently we collect data for the lines of business listed below:

- Homeownership promotion and preservation
- Financial Capability
- Development and preservation of residential housing units for sale and rental
- Development and preservation of commercial units
- Commercial Lending
- Special Projects
- Community Building and Engagement.

NeighborWorks America operates on the Federal Fiscal Year, which runs from October 1 - September 30. All parts of the quarterly report are due on the 25th of the month that follows the end of the reporting period.

The Annual Survey:

Is a comprehensive report that is collected on a yearly basis, and it is comprised of the following surveys:

- Programs and Services
- Community Business Lending
- General Information
- National Real Estate Programs
- Residential Lending Activities

- Salary Information

In addition to these reports the organization may be responsible for completing other ad-hoc reports throughout the fiscal Year.

The Quarterly Production, Annual Survey and other ad-hoc data is collected via the Online Reporting System (ORS) which is a cloud-based data management application.

The data collection process is overseen by the Data Management Department, this department is responsible for administering the surveys and reports that are used to collect data from the chartered organizations, perform data quality control and provide training and ongoing technical support.

APPENDIX B:

The
PROMPT®
PROGRAM REVIEW PROCESS

Measuring the Health,
Capacity, Performance and Impact
Of NeighborWorks® Network Members

December 2017

Organizational Assessment Division
NeighborWorks® America

Working Together for Strong Communities



ABOUT THE REVIEW PROCESS

NeighborWorks® America monitors the health of the network through an established organizational assessment process. Chartered network organizations (NWOs) must participate in regularly scheduled program reviews to evaluate their compliance with charter membership standards and performance in six performance areas, identified by the acronym "**PROMPT®**". Onsite program reviews are conducted approximately every 36 months for NWOs with limited scope offsite reviews conducted approximately annually. The Organizational Assessment Division has established review procedures and tools to help the review teams and the organization's members assess their health, risk, performance and capacity in the following areas and in NeighborWorks America network related lines of business:

- P** - **PRODUCTION/PROGRAM SERVICES** (Lines of Business - Impact/ Sustainability/ Capacity/ Monitoring/ Infrastructure)
- R** - **RESOURCE AND FINANCIAL MANAGEMENT** (Resource Management and Financial Health and Financial Management, Accounting Systems and Procedures)
- O** - **ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE** (Corporate Leadership, Board Oversight, and Committee/Task Groups)
- M** - **MANAGEMENT – STAFFING AND PERSONNEL**
- P** - **PLANNING** (Multi-year Strategic and Annual Operational Planning)
- T** - **TECHNICAL OPERATING AND COMPLIANCE SYSTEMS** (Program Service Delivery Procedures, Client and Contract Management and Compliance Systems)

Organizations that wish to join the NeighborWorks network are required to participate in a similar affiliation assessment in order to evaluate their capacity to meet NeighborWorks network charter membership standards.

The program review process is designed to build on the collaborative relationship between NeighborWorks America and current or potential NeighborWorks network organizations (NWOs.) NeighborWorks America depends on the active participation of the organization's board and staff prior to, during, and after the on-site review. The organization's board and staff members are expected to actively participate in review planning, preparation, assessment and reporting stages of the process.

A typical program review involves four phases:

- 1) **Confirmation:** Approximately three months before on-site visit. Confirm availability for an on-site visit with the ED/CEO and conduct a review planning meeting based on existing member and/or application information. This initial confirmation and planning stage uses the PROMPT format and seeks to actively engage the organization's leadership in the review process.
- 2) **Discovery:** Approximately from three months to two weeks before on-site visit. Establish and conduct an off-site component of the assessment based on the receipt and examination of agreed upon documents and selected staff, board and committee member interviews. Active participation of the staff and board is critical during this stage of the review.
- 3) **Onsite Review Plan:** Approximately two weeks before on-site visit. Based on the discovery process and using the PROMPT format, determine the focus and scope of the on-site visit to complete the full assessment and report. Develop agenda along with required staff and partners for interviews to share with ED/CEO.
- 4) **Draft for Comment Program Review Report:** Approximately five weeks after on site review. Reviewer writes and distributes to the organization the draft report as described in the "Draft for Comment Process" that follows. Based on response from the organization, reviewer complete the Final Program Review Report and identifies any corrective actions or areas for improvement issues that require the organization to develop action plans in coordination with the NeighborWorks America regional staff.

ABOUT THE REVIEW PROCESS AND RESULTS

➤ The Report Format, PROMPT Ratings and Findings

The Program Review Report uses an executive management summary format that provides the most relevant results for the organization's board and staff. Performance in each PROMPT dimension assessed, rated (Exceed, Meet, Meet with Concern, or Does Not Meet) and findings may be issued in any of the PROMPT dimensions (Risks Observed, Areas for Improvement, Corrective Actions). The Appendices of the report may provide more detailed analysis on specific PROMPT areas and/or significant line-of-business analysis when appropriate and/or agreed upon during review planning.

PROGRAM REVIEW REPORT EXECUTIVE MANAGEMENT SUMMARY	
INTRODUCTION/OVERVIEW	
PROMPT SUMMARY OF RESULTS	
I.	Production/Program Services: (Possible Ratings: Exceed, Meet, Meet with Concern, or Does Not Meet)
II.	Resource and Financial Management (Possible Ratings: Exceed, Meet, Meet with Concern, or Does Not Meet) Note: Individual ratings are made for Resource Management and Financial Management.
III.	Organizational Management and Board Governance (Possible Ratings: Exceed, Meet, Meet with Concern, or Does Not Meet)
IV.	Management – Staffing and Personnel Management (Possible Ratings: Meet or Does Not Meet)
V.	Planning (Possible Ratings: Meet or Does Not Meet)
VI.	Technical Operating and Compliance Systems (Possible Ratings: Meet or Does Not Meet)
OVERALL CONCLUSION	
Appendices:	Includes only relevant information and analysis to further document or clarify the results for the sections above or for selected line-of-business detailed analysis.

Performance Trends

The “PRO” dimensions have Exceed, Meet, Meet with Concern, or Does Not Meet results. In the context of the assessment of those “PRO” dimensions, performance trends will be reviewed and cited where applicable. Trends analysis will be used to acknowledge improvements or bring attention to issues that do not yet merit a change in the overall health rating.

Findings

If risks or performance issues are observed, they will be cited as Corrective Actions (CA) or Areas for Improvement (AFI), depending on the severity. AFIs will relate to a rating of Meet or Meets with Concern and Corrective Actions will relate to a rating of Does Not Meet. Areas for Improvement indicate suboptimal performance, yet are generally common and correctable issues that are not severely impairing the health of the organization. If multiple AFIs exist or if declining trends are cited, Meet with Concern may be the rating result based on materiality or cumulative impact of the AFIs. Meet with Concern indicates that substantial improvements are needed but the organization does not yet Not Meet objectives. AFIs may be issued in the “MPT” dimensions without affecting the overall health assessment results. In addition, findings in the Production and Program Services dimension will be focused on dominant lines of business and on material issues affecting organizational health, compliance, performance, or risk.

We encourage transparency throughout the assessment process. If organizations have identified opportunities to enhance their performance, we encourage the organization to share those with the reviewer. If performance is strong, then these performance enhancement opportunities will be referenced in the review report and communicated with the Regional staff to determine if resources may be targeted to address them. They will not, however, result in an area for improvement or corrective action finding.

➤ **The Draft Report and Customer Comment Process**

A written “*Draft Program Review Report*” is prepared at the end of every review and is circulated for internal comment (other NeighborWorks America relevant divisions) and is thereafter sent to the NWO or potential affiliate for comment before it is finalized. The organization is asked to respond in any of the following ways: 1) organization accepts the report without any changes; 2) organization provides a written response and appropriate documentation to request correction of any substantial inaccuracies; 3) organization provides a progress update on any actions needed or planned to address corrective actions, areas for improvement, or risks observed, or 4) organization provides written comments from the organization’s management that will be included, unedited, in the appendix of the revised program review report. It is not possible for the reviewer to cover all aspects of the organization’s operations or achievements, so this process provides added quality assurance. A final report is then prepared based on the organization’s response and is distributed to the organization, within NeighborWorks America, and to its related capital corporations, Community Housing Capital and NeighborWorks Capital.

➤ **The Period to Cure**

If the results of the review will result in a potential rating downgrade (as further described below), NeighborWorks America will offer a period of up to six months from the date that the organization receives the draft review report for the organization to cure any findings. To be granted a period to cure, the organization is required to submit to NeighborWorks America a correction and implementation plan during the draft report customer comment period. The correction and implementation plan must realistically indicate that findings can be addressed within six months. If the review results in the issuance of a corrective action that would result in a downgrade to Vulnerable, a 6 month period to cure will not be granted. Some findings, such as those requiring a subsequent financial audit, will not be eligible for a period to cure if the resolution will take longer than 6 months.

➤ **The Final Review Results and Customer “Action Plan”**

If the final Program Review identifies and recommends remediation of any unresolved corrective action issues, the NWO and/or potential affiliate will be asked to develop and implement an action plan to address the issue(s). NeighborWorks America requires the organization to respond to the corrective actions that if left uncorrected would jeopardize the health and performance of the organization. This process reinforces NeighborWorks America’s mission for building and sustaining healthy, productive and organizationally effective network members. The respective NeighborWorks America regional office is available to support the organization in developing an action plan and will follow-up and report to NeighborWorks America Organizational Health Tracking System (OHTS) Committee when the action plan issues have been addressed. The NeighborWorks network charter requires that a network member make an effort to successfully resolve any identified risk and/or capacity issues to maintain membership. Please contact the designated regional office if you have any questions concerning the review results and the need for a follow-up action plan. New affiliates may also have action plan items identified as a result of the program review, and the regional office will also work with the affiliate to develop and complete any action plan items that are required for chartering.

➤ **The Organizational Health Tracking System (OHTS) and Committee**

NeighborWorks America has established a corporate Organizational Health Tracking System (OHTS) and committee that meets quarterly to monitor NWO health and risks issues. The OHTS has also established a six point rating system, based on PROMPT, to support its goal of building and sustaining a network of excellence. The OHTS Committee uses the PROMPT model and Exceed, Met, Meet with Concern, and Does Not Meet results to determine an NWO’s rating as described in the table below. Members of the OHTS Committee consist of NeighborWorks America corporate and divisional staff leadership, and representatives from each related capital corporation. The various members provide quarterly updates on NWO performance issues and the OHTS Committee determines if there is any potential impact on an NWO rating that would require some follow-up action between program review cycles.

Criteria for the NeighborWorks America NWO Rating System

Rating	Criteria for Preliminary Rating
Exemplary	Exceed performance standards in Production/Program Services, Resource Management, Financial Management, and Organizational Management and Board Governance (PRO) and Meet in other PROMPT dimensions.
Strong	Exceed performance standards in at least three of the following dimensions: Production/Program Services, Resource Management, Financial Management, and Organizational Management and Board Governance (PRO) and no Does Not MEet or no Meets with Concern in other PROMPT dimensions
Good	Exceed performance standards in at least one of the following dimensions: Production/Program Services, Resource Management, and Organizational Management and Board Governance (PRO) and no Does Not Meet in other PROMPT dimensions.
Satisfactory	Meet or Meet with Concern in all PRO dimensions and Meet in MPT dimensions.
Serious	Exceed, Meet, or Meet with Concern in Production/Program Services, Resource Management, Financial Management, and Organization Management and Board Governance dimension but Does Not Meet in any MPT dimension. Organizations that were rated Vulnerable may be raised to Serious by the OHTS Committee if the organization has developed a plan to mitigate the risk issues causing failure in any of the PRO categories as long as imminent organizational failure is not likely.
Vulnerable	Does Not Meet any one of the Production/Program Services, Resource Management, Financial Management, and Organization Management and Board Governance (PRO) or any 2 of the remaining 3 MPT dimensions

OAD conducts PROMPT™ assessments on an ongoing cycle although NWOs may be prioritized for a PROMPT review at an earlier date based on their OHTS rating, significant risk issues or by request. OAD also conducts an annual analysis and reporting process of only the PRO dimensions. These assessment activities and results are used to maintain the rating system and to guide NeighborWorks America support and technical assistance (TA) to the NWOs, as well as its decisions to offer and maintain network membership.

Program Review PROMPT Performance Objectives

PRODUCTION/PROGRAM SERVICE Performance Objectives:

- 1) **Impact:** The organization has identified, approved and implemented program services (lines of business) and production that are consistent with its mission, plans, and goals, meeting community needs, partnership goals, and funding source expectations.
- 2) **Sustainability:** The organization's program services have produced added value for the organization, community and funding partners, and provide a base and/or track record to sustain and/or expand its efforts.
- 3) **Capacity:** The organization's staffing, professional services, partnerships and volunteers (including board and committees) are adequate and appropriately skilled to sustain and/or increase its impact, production and program service goals and future commitments.
- 4) **Monitoring:** The organization has established a process to regularly compare current progress and capacity with future expectations and challenges to ensure that services are in place to meet (sustain) multi-year goals and obligations.
- 5) **Infrastructure:** The organization has implemented policies, procedures, and documentation systems to ensure its programs and service delivery practices are consistent and sufficient to meet partnership expectations and funding source and regulatory requirements.

Risk: Services that do not meet partnership and funding source expectations can lead to dissatisfaction and reduced participation and support. Services that do not meet internal goals can lead to poor financial performance and a lack of sustainability. Attempting services beyond the organization's mission or capacity can lead to wasted resources and lessened cost effectiveness. Inadequate infrastructure can lead to non-compliance and a loss of resources, including those from NeighborWorks America.

Results that describe Exceed:

The organization has developed “**core line of business competencies**” that **produce sustained and stable services** consistent with its board approved operating policies and its annual business and multi-year strategic plans. Services **achieve board adopted performance measures** (production levels and impact goals) **and partnership expectations**, and are **efficiently delivered** to maximize resources in producing and sustaining affordable housing, achieving community revitalization, neighborhood stabilization and customer/partner satisfaction.

Results that describe Meet or Meet with Concern:

The organization is **providing services consistent with its current year plans and resources to meet contract obligations** and to sustain commitments and partnership support. Program services **result in the production and maintenance of affordable housing and/or contribute to some identifiable community revitalization**. Lines of business are not operating at optimal levels or with industry best practices, but pose no immediate threat to the organization or its mission. Meet with Concern indicates that substantial improvements are needed but the organization does not yet not meet the performance objective.

Results that describe Does Not Meet:

Services are inconsistently delivered, below expectations or capacity and fail to produce adequate affordable housing, community impact or customer satisfaction. Inadequate staffing, management, resources or partners exist to effectively improve performance. Poor line of business performance threatens the overall health of the organization.

Program Review PROMPT Performance Objectives

RESOURCE AND FINANCIAL MANAGEMENT Performance Objectives:

Resource Management

- 1) **Sustainability:** The organization has planned for and/or raised adequate resources (including reserve funds) to support current year operating and capital needs including cash flow and reserve needs (operating AND each significant LOB). The resource development strategies (operating AND capital) are clearly documented, with specific goals, timetables and responsibilities and reflect a goal of achieving a broad base (grants, contracts, contributions, fees, earnings, etc.) of continued support.
- 2) **Capital & Liquidity:** The organization has accumulated adequate operating and capital reserves and net assets to sustain the organization beyond the current year and to potentially expand its activities.

Risk: Unrealistic fund raising projections, poor strategies and limited efforts can lead to funding deficits. An inability to evaluate cash flow requirements can cause inadequate reserves to meet funding needs. A lack of specific resource development plans can lead to lost fund raising opportunities.

Results that describe Exceed:

The organization has a stable supply of resources to provide sufficient cash flow to sustain organizational and programmatic capital needs. The organization regularly achieves net operating surpluses and has sustained a positive net asset position. There is evidence that the organization has planned for, accumulated, and managed its assets to sustain long term commitments and to support its multi-year strategic plans.

Results that describe Meet or Meet with Concern:

The organization has generated adequate resources to provide sufficient cash flow to sustain organizational and programmatic capital needs. The organization typically budgets and raises revenues equal to expenses and has maintained a positive net asset position but may be overly reliant on limited funding sources resulting in a lack of funding stability. Adequate resources are available to avoid significant operating or service interruptions that result in a failure to meet agreements or an unplanned loss of staff or partner support. Meet with Concern indicates that substantial improvements are needed but the organization does not yet not meet the performance objective.

Results that describe Does Not Meet:

The organization cannot demonstrate that it has adequate resources to meet current year operating and/or capital resource needs resulting in periodic operating deficits, interrupted/reduced services and/or asset reduction or misuse that threatens the organization's ability to meet its commitments.

Program Review PROMPT Performance Objectives

RESOURCE AND FINANCIAL MANAGEMENT Performance Objectives:

Financial Management

- 1) **Management:** The organization has established and maintains adequately trained staffing, management, and governance oversight capacity related to resource and financial management.
- 2) **Financial Recordkeeping, Reporting and Internal Controls:** The organization has established, documented and maintains an accounting structure and financial recordkeeping procedures and practices that provide/indicate adequate internal controls, safeguard its resources, ensure compliance with applicable rules and regulations, and produce accurate and timely records for operating and program services (major lines of business).
- 3) **Monitoring and Planning:** The organization has implemented a reliable and ongoing process to effectively monitor and sustain the organization's financial health, including the preparation of adequate financial planning and oversight reports (budget, budget-to-actual comparison, cash flow projection, operating and development pro forma and capital needs projections).
- 4) **NeighborWorks Capital Fund:** The organization has managed its grants from NeighborWorks America in accordance with the Investment and Grant Agreement.

Risk: Inadequate accounting systems and procedures, improper or untimely record keeping, and insufficient staffing, reporting and oversight can lead to poor financial decisions and practices that jeopardize the organization's viability, audit quality and fund raising potential.

Results that describe Exceed:

The organization has established effective board, committee, and management structures that provide for effective oversight practices and adequate guidance and support for resource development activities, as evidenced by the financial sustainability, financial growth, and compliance with the organization's financial goals and compliance with funder expectations. The organization has hired and maintained exceptional financial staff as evidenced by the organization's capacity to develop budgets, budget to actual comparisons, cash flow projections/accurate forecasting tools, and other monitoring and planning reports that enable the organization to avoid unplanned deficit spending. The organization's accounting and/or annual audit practices indicate adequate internal controls and timely and accurate financial information that meets funder expectations.

Results that describe Meet or Meet with Concern:

The organization has established board, committee, and management structures that provides for oversight of the organization's financial practices with some areas for improvement in order to maximize resources development, operations, or line of business oversight. While the organization has financial management capacity to sustain and meet the organization's immediate needs for accounting and operating, additional tools are needed or improvement is needed in how tools are used to maximize the operations. The budgeting, accounting, internal control, and annual audit practices, while in place, warrant improvement but have not resulted in a material weaknesses sufficient to impede effective operating performance. NeighborWorks capital funds have been properly invested and managed, but improved documentation or write downs may be required. Meet with Concern indicates that substantial improvements are needed but the organization does not yet not meet the performance objective.

Results that describe Does Not Meet:

The board and management has failed to approve and/or implement a process to monitor the organization's finances. Accounting and/or annual audit practices do not provide/indicate adequate internal controls, and timely and accurate information that meet funder expectations. NeighborWorks capital funds have been improperly invested and not managed according to the terms of the Investment and Grant Agreement.

Program Review PROMPT Performance Objectives

ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE Performance Objectives:

- 1) **Board Governance:** The board has built and sustained an effective board of directors.
- 2) **Management of Chief Executive Officer/Executive Director:** The board has selected, supported, and evaluated the chief executive officer/executive director.
- 3) **Strategic Planning and Evaluation:** The board has created a strategic plan for the organization, regularly evaluates progress towards the plan, and approves necessary course corrections.
- 4) **Organizational and Programmatic Promotion and Oversight:** The board monitors and strengthens the organization and its programs and services.
- 5) **External Support and Compliance:** The board ensures financial, legal, and ethical integrity of the organization.

Risk: Insufficient exercise of management and oversight responsibilities could create unnecessary liabilities for the corporation and its members. Inadequate volunteer participation and orientation, and a lack of cyclical staff evaluations and training, can lead to ineffective board, committee and staff functioning and unproductive turnovers.

Results that describe Exceed:

The board and management have built and sustained an effective board of directors; have selected, supported and evaluated the CEO/ED; have created a strategic plan for the organization, have regularly evaluated progress against the plan, and have approved necessary course corrections; have monitored and strengthened the organization and its programs and services; and have ensured financial, legal, and ethical integrity of the organization. All best practices described in Appendix A have been implemented.

Results that describe Meet or Meet with Concern:

The board and management have built and sustained an effective board of directors; have selected, supported and evaluated the CEO/ED; have created a strategic plan for the organization, have regularly evaluated progress against the plan, and have approved necessary course corrections; have monitored and strengthened the organization and its programs and services; and have ensured financial, legal, and ethical integrity of the organization **BUT** have not implemented all of the best practices described in Appendix A **AND** have not met the conditions of failure described below. Meet with Concern indicates that substantial improvements are needed but the organization does not yet not meet the performance objective.

Results that describe Does Not Meet:

The board and management have not built and sustained an effective board of directors resulting in delayed or irregular decision making and oversight. The governance model is unclear or inconsistently practiced. The board has failed to sustain competent executive staff and/or the board and management have failed to maintain a constructive partnership (i.e. lack of shared vision, inability to make decisions, lack of established and commonly understood goals.) The board and executive staff lack a clear vision, mission, and strategic goals for the organization and have not made necessary course corrections. The board has failed to ensure that the organization meets partnership resource commitments, that goals are consistent with its annual and multiyear plans and/or has not secured the resources for the organization to accomplish its goals. The board has failed to fulfill its duty of care responsibilities leading to real or potential legal and reputational risks for the organization. The board has failed to ensure that it is in compliance with the NeighborWorks Charter Agreement.

Program Review PROMPT Performance Objectives

MANAGEMENT STAFFING AND PERSONNEL Performance Objectives:

- 1) The organization has established and documented a **staffing model and structure** that clearly identifies functional units, employee titles and responsibilities and professional service agreements for fulfilling the organization's mission, program services, internal operation and partnership obligations.
- 2) The organization has established and documented **human resource policies and maintains a practice of providing annual (or periodic) evaluations** of its paid staff and professional service contract employees in fulfilling defined roles and responsibilities (job descriptions and/or work plans).
- 3) The organization has established and maintains **staff recruitment, compensation and skill development** programs that provide and retain a knowledgeable and committed staff (for unified vision, corporate internal functions and each line of business).
- 4) The organization 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 the organization's health, internal operations and services.

Note: Staff includes anyone performing that function whether FT, PT, volunteer or contract employee or agency.

Risk: Inadequate human resource policies and management practices can cause reduced staff effectiveness and lead to unnecessary turnovers, poor administration of services and an inability to meet goals.

Results that describe Meet:

The organization has **adequate staff capacity to sustain current programs and support functions**. Its personnel management practices result in **staff understanding work expectations and current year performance**. The staff recruitment, development, compensation and communication practices encourage **tenure and skill levels** needed to achieve future-year commitments and plans.

Results that describe Does Not Meet:

The organization does not have an adequate number of trained staff to consistently perform organizational and programmatic functions. Its staffing structure, work plans, recruitment, compensation, development and communication practices result in irregular or poor performance or high turnover rates that cause the organization to not achieve its current year commitments and plans.

Program Review PROMPT Performance Objectives

PLANNING Performance Objectives:

- 1) The board in partnership with senior staff has **established a mission and annual operating/business plan** that clearly identifies its primary lines of business, goals, needs (staff, funds, partners, skills, systems, etc.) and outcomes related to community revitalization and the production of affordable housing to benefit low-moderate income communities and households.
- 2) The board in partnership with senior staff has **implemented a process to evaluate the success of its plans**, (implementation of each major line of business) including achievement of goals and impact (outcomes), continued relevance to the community and partners, adequacy of resources and staffing to sustain efforts, effectiveness of service delivery strategies and approaches and ability to adapt in a timely manner.
- 3) The board in partnership with senior staff has **establish a multi-year strategic plan** that identifies its organizational and line of business (service) goals, needs and outcomes. (Identifies its multi-year plans and capacity to sustain, grow and/or contract its services, staffing, partnership and resource to achieve its outcomes).
- 4) The organization has **implemented a planning process that involves its board and staff leadership** including adequate representation and/or information from its customers and partnership stakeholders to ensure an understanding of the community (needs and expectations), as well as the organization's capacity (accumulated to date) and its potential and/or limitations (image, track record, competition and environment) to achieve its plans.

Risk: Undefined, undocumented and unapproved goals fail to provide clarity to board members and staff, and could lead to inconsistent services, limited impact and wasted resources. A lack of cyclical planning can reduce consensus and jeopardize the organization's image, resources and effectiveness. NeighborWorks America requires that an NWO submit an Annual Business and/or Operating Plan as part of the annual organizational underwriting process.

Results that describe Meet:

The board in partnership with senior staff engages in a **planning process that results in an annual business/operating plan** that identify its major lines of business, the desired community benefits, needed production levels, success measures and the resources to operate for the current year and to meet the strategic plan goals. The organization **evaluates the success of its plans at least annually** using agreed upon benchmarks. The organization uses its evaluation to identify successes and modify approaches as needed and to seek partner/community feedback to guide future year planning.

Results that describe Does Not Meet:

There is evidence that the organization's plans are not adequately defined to guide the organization's resources and programs and have resulted in limited production and impact. The organization does not monitor its progress on a regular basis to identify strategies and goals that are inconsistent with partnership interests, community needs and/or the organization's capacity.

Program Review PROMPT Performance Objectives

TECHNICAL OPERATING AND COMPLIANCE SYSTEM Performance Objectives:

- 1) The organization has established, documented and **maintains a contract management system** that identifies oversight, documentation and reporting responsibilities to ensure compliance with:
 - a. resource and program service contracts (lines of business)
 - b. professional service agreements (accounting, audit, legal, property management, loan servicing, specialized assessment and plans, training and technical assistance, computer support, etc.)
 - c. affiliated entity service agreements and capital resource transactions
- 2) The organization has established and **maintains a process to review all contracts and agreements** (funding, programmatic, insurance, partnership, etc.) **prior to approval** to ensure that the obligations and impacts on the organization (internal operating and management systems, staffing issues, budget and cash flow implications, potential trade-offs, program service policies and procedures, board and committee participation, changes in partnership expectations and community image) are clearly understood and appropriately integrated into its business/strategic plans.
- 3) The organization'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 line of business standards**.
- 4) The organization is **encouraged to periodically evaluate** its service delivery policies, procedures, practices and client management systems to **maximize staff service delivery efficiency and coordination** and to **provide annual and multi-year trend analysis**.

Risk: A lack of written and approved operating policies and procedures for each major program service component may lead to inconsistent and unapproved service delivery. Failure to implement adequate client management, service delivery and contract management systems can lead to incomplete or inappropriate documentation, non-conformance with contracts and loss of funding. Failure to identify legal and contract demands prior to their approval can lead to unexpected liabilities and a loss of credibility and funding.

Results that describe Meet:

The organization tracks, documents and reports its significant services and can **demonstrate consistency with its approved policies, procedures and contract/regulatory requirements**. **Client management systems result in accurate, timely and reliable documentation and reporting**. The organization has implemented a **practice of evaluating and addressing the impact of contracts** on the organization's mission, structure and resources prior to signing any agreement. The organization documents all its contracts and services agreements, and assures that management responsibility and **oversight is clear and uniformly followed**. The organization can **demonstrate its compliance** with its significant contracts and agreements.

Results that describe Does Not Meet:

The organization **cannot adequately track its customer services** and its **service delivery is inconsistent** or inefficient resulting in a **failure to achieve programmatic goals**, customer dissatisfaction or a loss of partners and resources. Inadequate capacity exists to make improvements without assistance. There is evidence that the organization has **failed to manage an existing contract** or to adequately document an agreement so that its mission, organizational status, **resources or programmatic commitments are at risk of failure or loss**. Management capacity does not exist to make the necessary improvements without assistance.

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APPENDIX A

ORGANIZATIONAL MANAGEMENT AND BOARD GOVERNANCE Performance Objectives

Board Governance

Objective 1: Build and sustain an effective board of directors, as demonstrated by:

- a. Recruit and sustain a diverse group of members who are knowledgeable of corporate internal functions (e.g., finance) and each line of business and who contribute from their expertise and experience in the communities that the organization serves and towards the work and operations of the organization. (Note: Resident representation requirements of NeighborWorks are discussed in Objective 5f.)
- b. Maintain diversity of board tenure to ensure a balance of fresh ideas while maintaining adequate institutional knowledge. This should include regular rotation of board and committee chairs.
- c. Orient new board members through a formal process.
- d. Document agreement of board and committee members' roles and responsibilities.
- e. Establish a continuous learning environment and process for board members' skill building in areas critical for oversight of and planning for the organization.
- f. Implement meeting practices that promote constructive dialogue and timely decisions as well as support the board to operate in the fiduciary, strategic and generative modes of leadership (i.e. Board meetings should include proactive thinking and decision making, not simply consist of report-outs from management and reaction to past events). Meeting practices, including committee meetings, should provide oversight of corporate functions (audit, finance, governance/nominations) as well as lines of business.
- g. Comprehensively evaluate the performance of the board of directors through a documented self-assessment at least once every three years and implement a written action plan from the results.

Does not meet: The board has not built and sustained an effective board of directors resulting in delayed or irregular decision making and oversight. The governance model is unclear or inconsistently practiced.

Management of the Chief Executive Officer/Executive Director

Objective 2: Select, support and evaluate the chief executive officer/executive director, as demonstrated by:

- a. Document the responsibilities of the CEO/executive director and undertake a careful search, aligned with the succession policy, to find the most qualified individual for the position when that position is open.
- b. Establish goals and regularly monitor progress to be achieved by the CEO/executive director that are in alignment with the organization's strategic plan.
- c. Conduct a documented, annual evaluation of the CEO/executive director's performance.
- d. Identify and resolve issues with or beyond the control of management that present organizational risk.
- e. Document and implement a succession plan for the executive director and senior management.

Does not meet: The board has failed to sustain competent executive staff and/or the board and management have failed to maintain a constructive partnership (i.e. lack of shared vision, inability to make decisions, lack of established and commonly understood goals.)

Strategic Planning and Evaluation

Objective 3: Create a strategic plan for the organization, regularly evaluate progress towards the plan, and approve necessary course corrections.

- a. Determine the organization's mission and use the stated mission as well as any stated values and vision in decision making.
- b. Create a strategic plan that articulates the organization's goals, means, and primary constituents to be served and evaluate progress against the plan.
- c. Approve the annual operating plan that supports the strategic plan's goals.
- d. Approve the annual budget.

Does not meet - The board and executive staff lack a clear vision, mission, and strategic goals for the organization and have not made necessary course corrections.

Organizational and Programmatic Promotion and Oversight

Objective 4: Monitor and strengthen the organization and its programs and services.

- a. Clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.
- b. Hold management accountable for performance against the organization's stated LOB goals, grant and contractual commitments.
- c. Implement reporting practices at the board and committee level that allow for effective oversight of programs, lines of business and operations.
- d. Ensure adequate financial resources are secured for the organization to fulfill its goals.

Does not meet: The board has failed to ensure that the organization meets partnership resource commitments, that goals are consistent with its annual and multiyear plans and/or has not secured the resources for the organization to accomplish its goals.

External Support and Compliance:

Objective 5: Ensure financial, legal and ethical integrity, as demonstrated by:

- a. Review annual audit and ensure that proper financial controls are in place.
- b. Ensure the adherence to legal standards and ethical norms and filing of required documents (e.g., Form 990, federal audit clearinghouse filing).
- c. Ensure the organization fulfills its contractual and grant agreements.
- d. Ensure board members sign conflict of interest statements annually.
- e. Ensure compliance with the organization's by-laws.
- f. Ensure compliance with NeighborWorks' chartering agreement including maintaining a Board of Directors that reflects a partnership among resident leaders, the private business community and public officials, in which at least one-third of the board members are low-income residents or low-income resident representatives of the NeighborWorks organization's service area.

Does not meet - The board has failed to fulfill its duty of care responsibilities leading to real or potential legal and reputational risks for the organization.