2022 Strategic Report for Habitat for Humanity of DeKalb County

Presented by your graduate study team:

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Why a strategic report?

- **Significant decisions ahead for HFHDC**
  - ➢ Executive Director leaving
  - ➢ ReStore being considered
  - ➢ Merger proposed by HFHMC

Our team's approach

Primary data:

- Form 990s, annual reports, HFH online presence, scholarly research

Secondary data:

- Interviews with board members and staff contributed to report's Financial Analysis, SWOT Analysis, and Mini Feasibility Study
- Interviews with local ReStores (Woodstock, Elgin, and Joliet) and resell stores in DeKalb (Goodwill and Salvation Army) contributed to Mini Feasibility Study re: opening a ReStore in DeKalb County

Case for Support

- Increasingly difficult to find affordable housing
  - ➢ Far higher home prices due to COVID and economy
  - ➢ 37.1 million cost-burdened households in US
    - ➢ 71% of low-income spend over 50% of income on rent
    - ➢ A third of DeKalb County households are cost-burdened
- HFHDC has built 16 homes to date
  - ➢ Engaged volunteers and homeowner testimony

HFHDC's mission is more important than ever

Let's look at the numbers…

Program Expense Percentage:

- Four-year average: 68%
- FY 2020: 83%

Administrative Expense Percentage:

- Four-year average: 32%
- FY 2020: 17%

Fundraising Expense Percentage & Efficiency:

- Four-year average: 0%
- FY 2020: 0%

Let’s look at the numbers…

Working Capital Ratio:

- Four-year average: 5.62
- FY 2020: 4.93

Liabilities to Assets Ratio:

- Four-year average: 26%
- FY 2020: 20%

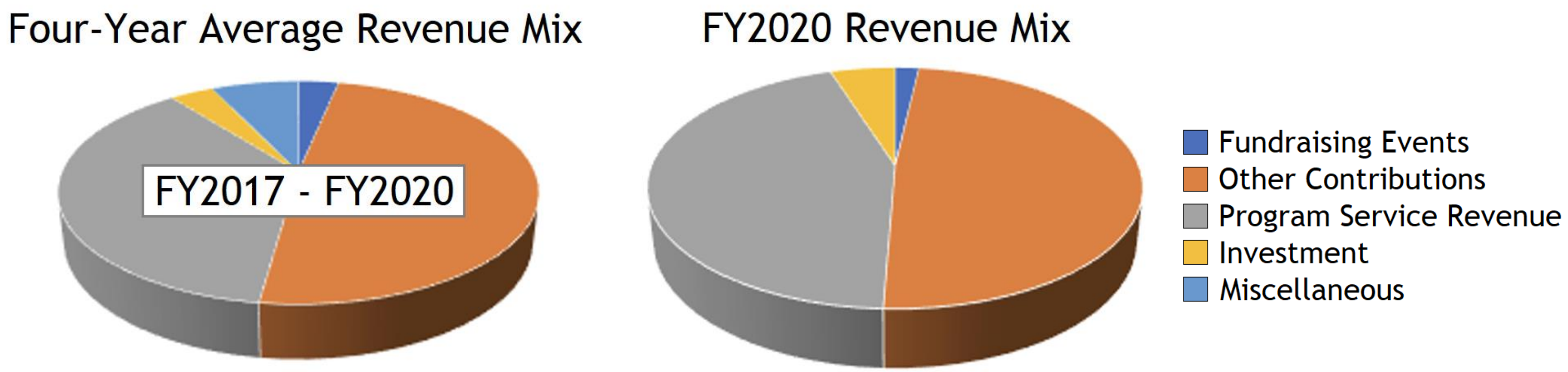
Fund Balance:

- 4-yr avg: $600,280
- FY 2020: $787,072

Net Income:

- 4-yr avg: - $10,216
- FY 2020: $106,966

Revenue Mix



Fiscal Year (FY)	Fundraising Events	Other Contributions	Program Service Revenue	Investment	Misc.
2020	$4,931	$130,042	$118,129	$13,480	$0
2019	$7,733	$52,552	$28,564	$55	$20,754
2018	$0	$5,446	$0	$48	$0
2017	$0	$4,448	$0	$140	$0
4-Year Average	$3,166	$48,122	$36,673	$3,431	$6,918

Financial Outlook

- **Immediate-term:**
  - No immediate financial distress
- **Short-term:**
  - Some short-term capacity
  - Small risks
- **Long-term:**
  - Limited long-term capacity

What is a SWOT analysis?

Strengths **W**eaknesses	➲ **internal factors** (current processes, human capital, physical and financial resources, etc.)
Opportunities **T**hreats	➲ **external factors** (market and economic trends, political and economic regulations, etc.)

SWOT analysis is a strategic planning technique used to understand the health of an organization

➲ Where do we stand? ➲ Where should we improve?

Strengths

- Passionate board members
  - ➢ Previous mismanagement caused struggles in past years, but the Board remained committed
- National reputation of Habitat for Humanity
  - ➢ Ranked #6 by Forbes out of 2021 top 100 charities
- HFHDC possesses significant assets
  - ➢ Owns large building that could be rented or sold

Weaknesses

- No concrete plans for fundraising and resources
  - $253,102 revenue primarily generated by program services and contributions in FY 2020, but only $13,480 in fundraising and investment income
- Lacks administrative infrastructure
  - Reduced capacity negatively impacts fundraising and HFHDC's organizational effectiveness
- Insufficient communication and collaboration
  - Shared governance is key, Board needs to oversee Executive Director and utilize performance reviews

Opportunities

- Expansion of community partnerships
  - NIU, DeKalb County Nonprofit Partnership, DeKalb County Community Foundation, local HFH afilliates
- Proposed merger with HFH McHenry County
- Sale of HFHDC's mortgages
  - Decrease risk and ensure more reliable revenue stream
- Opening a Habitat ReStore in DeKalb County
  - Generate much-needed income

Threats

- Proposed merger with HFH McHenry County
  - ➢ Larger organization an hour away, thus may leave behind DeKalb County residents and HFHDC volunteers, board members, and staff
- Current state of economy and local competition
  - ➢ Construction costs increased by 17.5% last year and are still rising, many other nonprofits inarea
- Ongoing COVID-19 pandemic
  - ➢ Less volunteers returning, more difficult to recruit

What about a new ReStore?

- Consider national and local competition
  - 21 Habitat ReStores in Illinois, including Elgin and Rockford locations less than an hour from DeKalb
  - Many non-Habitat resell venues in DeKalb County
- Determine multiple resources that are required
  - Human, physical, and financial, especially for set-up but also ongoing for daily operation

What about a new ReStore?

- **Benefits**
  - Aligns with HFHDC's mission and current volunteers
  - Supports a good cause and contributes to HFH Intl
- **Drawbacks**
  - Big risk considering current financial position
  - HFHDC has limited marketing capacity and network

Evaluation

S	**trengths**	➲ **internal factors** (current processes, human capital, physical and financial resources, etc.)
W	**eaknesses**	
O	**pportunities**	➲ **external factors** (market and economic trends, political and economic regulations, etc.)
T	**hreats**	

By matching SWOT characteristics to one another, HFHDC's leadership can better take these actions:

➲ INVEST ➲ DECIDE ➲ DEFEND ➲ DAMAGE CONTROL

Evaluation

S trengths
O pportunities

➲ **INVEST** (match strengths with opportunities to reduce risks)

Committed Board / HFH reputation **+** HFH McHenry merger / full-time ED
HFH reputation / current assets **+** ReStore venture / rent or sell assets

O pportunities
W eaknesses

➲ **DECIDE** (evaluate opportunities in context of weaknesses)

HFH McHenry merger / full-time ED **+** HFHDC lacks staff and resources
ReStore venture / rent or sell assets **+** Lacks revenue, long-term plans

Evaluation

S trengths
T hreats

➲ **DEFEND** (use strengths to prevent perceived or predicted threats)

Committed Board / HFH reputation **+** economic downturn / pandemic
HFH reputation / current assets **+** Negative outcome of ReStore or merger

T hreats
W eaknesses

➲ **DAMAGE CONTROL** (consider threats in light of weaknesses)

Economic downturn / pandemic **+** HFHDC lacks staff and resources
Negative outcome of ReStore or merger **+** Lacks revenue, long-term plans

Pairing up findings from the SWOT Analysis

Recommendations

Invest in capacity building and infrastructure

- Utilize HFH resources and hire full-time ED
- Improve Board oversight, be self-sufficient

Sell current assets (building and mortgages)

- Reduce risks and improve financial stability
- Invest in fundraising and make long-term plans

Consider merger with HFH McHenry County

- Increased human and financial capacity
- More versed in soliciting funds and resources

Thank you!

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Questions?

Presented by your graduate study team:

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